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STATE DOCUMENTS



**Annual Report 1978**

# Comparative Highlights 1978

## Generation and Sales\*\* (MWH)

	Fiscal Year 1978	Fiscal Year 1977
Power Generated - Net	5,978,256	5,137,833
Purchased & Interchanged	203,130	317,678
Net Sales to Customers*	5,561,560	5,104,226
Net Peak Hourly Load*	1,231	1,089

## Generation, Purchases, Sales, and Hourly Peak Demand (Net MWH)

Fiscal Year	Hydro Generation	Steam Generation	Combustion Turbine Generation	Purchased Power	Sales*	Peak*** Demand
1972	822,517	2,920,976	647	158,934	3,189,103	736
1973	825,562	3,459,491	6,753	256,718	3,623,630	829
1974	707,248	3,398,976	10,938	351,466	3,967,909	911
1975	784,102	3,012,235	10,739	715,648	4,259,300	943
1976	738,720	3,779,037	1,566	250,003	4,485,136	1065
1977	714,415	4,402,261	21,157	302,879	5,104,226	1161
1978	701,721	5,238,523	38,012	225,427	5,561,560	1231

## Financial\*

	Fiscal Year 1978	Fiscal Year 1977	Increase (Decrease)
<b>REVENUES</b>			
Electric Operating Revenue	\$ 126,574,677	\$ 94,726,993	\$ 31,847,684
Interest Earned and Other Revenue	17,523,906	22,043,710	(4,519,804)
Gross Revenues	144,098,584	116,770,703	27,327,880
<b>EXPENSES</b>			
Operating and Maintenance Expense	99,497,644	71,903,865	27,593,781
<b>DEPRECIATION</b>			
Interest on Long Term Debt	14,221,732	9,622,441	4,559,291
Retirement of Bonds	2,110,000	1,840,000	270,000
Payment on Central Obligation	436,820	436,820	-0-
Payments to State of South Carolina	1,200,564	1,797,497	(596,933)
Sums in Lieu of Taxes	658,418	734,278	(75,862)
Gross Expenses	138,264,102	107,792,486	30,471,616
Net Revenue	\$ 5,834,482	\$ 8,978,217	\$ (3,143,735)
Equity of the State of South Carolina	\$ 120,137,371	\$ 115,503,452	\$ 4,633,919

\*Exclusive of Sales to Other Utilities

\*\*Fiscal Year ending June 30

\*\*\*Calendar Year

# 43rd Annual Report

For the Fiscal Year Ended June 30, 1978



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# State Ownership

Santee Cooper is an agency of the state of South Carolina, established in 1934 as the South Carolina Public Service Authority. This ownership is unique in that the state has no investment in the Authority but still owns all its properties and assets. The original financing (1938-1942) was by a loan and grant from the United States, through the Public Works Administration, with subsequent major additions being funded partly by earnings but primarily by revenue bonds sold to private investors.

The South Carolina Public Service Authority was established by Act No. 887 of the Acts of the General Assembly of South Carolina in 1934 for the purpose of developing the Cooper, Santee, and Congaree Rivers as instrumentalities of interstate and intrastate commerce, for the production, distribution and sale of electric power, the reclamation and drainage of swampy and flooded land, and the reforestation of lands around its lakes. Although known as the Santee-Cooper Hydroelectric and Navigation Project, the organization was commonly referred to as Santee-Cooper. The hyphen in the name was discontinued in 1976.

## Advisory Board



**James B. Edwards**  
Governor

**O. Frank Thornton**  
Secretary of State

**Daniel R. McLeod**  
Attorney General

**Earle E. Morris, Jr.**  
Comptroller General

**Grady L. Patterson, Jr.**  
State Treasurer



# Board of Directors

Robert S. Davis  
Chairman  
Chairman & President  
of R. L. Bryan Co.  
Columbia, S. C.

Vernon E. Sumwalt  
First Vice-Chairman  
Attorney-at-Law  
Rock Hill, S. C.

J. Thomas Grier  
Second Vice-Chairman  
Partner, Grier & Co.  
Spartanburg, S. C.

C. B. Boyne  
Farmer and  
Retired Merchant  
Eastover, S.C.

Walter T. Cox  
Vice President of  
Student Affairs and  
Dean of Students  
Clemson University  
Clemson, S. C.

W. B. Davis, Jr.  
Business and Real Estate  
Summerton, S. C.

Mark C. Garner  
State Printing Co.  
Myrtle Beach, S. C.

B. A. Jordan  
Chairman  
Board of Directors  
Cherokee, Inc. &  
L-J, Inc.  
Columbia, S. C.

E. Jarvis Morris  
Owner  
Morris Real Estate  
& Insurance Co.  
Moncks Corner, S. C.

H. M. Robertson  
President  
Robertson Hardware  
& Electrical Supply  
Walterboro, S. C.

Marvin M. Thomas  
Owner-Operator  
Georgetown Laundry, Inc.  
Georgetown, S. C.

## New Director

C. B. Boyne of Eastover was appointed by Governor James B. Edwards as a member of the Board of Directors, effective June 30, 1977.

Born in lower Richland County, where he has always lived, Boyne helped found the Tri County Electric Cooperative in 1939, was on its original board of directors, and served as its president and secretary.

Upon appointment he was serving as president of the South Carolina Electric Cooperative Directors Association, a member of the board of directors and executive committee of Cooperative Electric Energy and Utility Supply, Inc., and president of the Eastover Development Corporation. He is Vice President of the advisory/governing board of the Eastover Health Center and is a former member of the board of directors of the Richland County Department of Social Services.

Prior to his cooperative experience, Boyne had organized the Sandhill Merchantile Company in Eastover in 1934, where he served as president and general manager until his retirement in 1975.

# The Staff

**William C. Mescher**  
President and  
Chief Executive Officer

**Henry N. Cyrus**  
Senior Vice President  
Engineering

**Clarence S. Gramling**  
Senior Vice President  
System Operations

**Kenneth R. Ford**  
Vice President  
Finance and Treasurer

**Joe C. Norman**  
Vice President  
Commercial Operations

**Lucas C. Padgett**  
Vice President  
Governmental Affairs and  
Industrial Development

**Robert V. Tanner**  
Vice President  
Production

**William A. Williams, Jr.**  
Vice President  
Nuclear

**Wallace S. Murphy**  
General Counsel

**L. P. Dorman**  
Secretary

**W. Andrew Burke**  
Executive Staff Assistant

**Larry R. Bellavita**  
Controller

**Albert Boyt, Jr.**  
Group Manager  
Distribution

**Hiram M. Hicks, Jr.**  
Group Manager  
Engineering

**David E. Jeffcoat**  
Group Manager  
Transmission

**Byron C. Rodgers**  
Group Manager  
Production Operations

# Message From The Chairman of The Board



Growth challenges continued to test the ability of the people at Santee Cooper during Fiscal Year 1978.

Major financing was again necessary to maintain an extensive construction and expansion program. Two bond issues totalling \$315 million were sold to keep pace with capital requirements for construction. The financing provided \$97 million for another phase of the Summer Nuclear Station under shared ownership with South Carolina Electric and Gas Company, \$186 million for Winyah III Generating Station at Georgetown, and \$32 million for general system improvements.

Delicate negotiations continued most of the year with the Alumax Aluminum Company. A 35 year contract was signed on September 23, 1977, for electric service to a plant which was the largest industrial investment announced in the United States in 1977. The Alumax story spurred considerable interest by other

industrial prospects to look at the lowcountry area of our state.

The rapid growth of the Santee Cooper system is evidence of its major influence in the economic and industrial growth and development of its service area and the State of South Carolina. This important role of leadership has been made possible by a conscientious board, dedicated employees, and a professional management team. They share the responsibility of meeting customer needs through long range planning, operating and maintaining the Santee Cooper system which stretches over three-fourths of the state, and providing electricity for use by more than 250,000 South Carolinians, several major industries, and three vital military installations.

We are proud that the people at Santee Cooper have met tremendous challenges again this year without requiring a rate increase, thereby holding our electric rates to a level among the lowest in the country and still maintaining credit ratings of A-1 and AA, representing strong security for bond buyers and low interest costs for financing new energy requirements.

*Robert S. Davis*



# Message From The President



Continued growth in both energy and demand during Fiscal Year 1978 required record levels of generation and produced record levels of revenue. Unprecedented industrial development and expansion, coupled with booming construction and commercial activity and strong growth in service to residential and electric cooperative customers are the factors helping Santee Cooper become one of the fastest growing electric utilities in the country.

Last year, Santee Cooper's energy growth in kilowatt-hours was 8.6 percent, compared to the national average of 2.6 percent. For the calendar year our demand growth in kilowatts was 6 percent, compared to the national average of 1.4 percent.

Excluding sales to other utilities, Santee Cooper's total wholesale and retail kilowatt-

hour sales increased 8.9 percent in 1978 compared to 14.4 percent in 1977. Sale of wholesale power to the municipalities of Georgetown and Bamberg and to Central Electric Cooperative with its 15 coop distributors was 2.8 billion kilowatt-hours, 14 percent greater than the previous year, compared to a 16 percent increase in 1977. In Santee Cooper's retail area, consumption of electricity increased 9.7 percent for residential and commercial customers compared to 14 percent the previous year. Santee Cooper industrial customers consumed 1.44 billion kilowatt-hours of electricity during the past year, an increase of about 6.3 percent over the previous fiscal year, compared to a 12.8 percent in 1977. Our system peak hourly demand of 1,231 megawatts, occurring on June 28, 1978, was up 6 percent over the 1977 peak of 1161 megawatts.

This record growth resulted in gross revenues of \$144 million, up 23.3 percent from \$116.8 million in 1977. Gross expenses, however, increased from \$107.8 million in 1977 to \$138.3 million this year. This increase in expenses resulted in a 35 percent decline in net revenue from \$8.9 million in 1977 to \$5.8 million this year. A substantial portion of the increase in revenue and expenses was due to a 43 percent increase in fuel and purchased power cost which went from \$55.2 million in 1977 to \$79.0 million in 1978. The decrease in net revenues was caused by the impact of the first full year of debt



service on unit two of the Winyah Generating Station.

Amoco completed construction of its new plant which will use Santee Cooper power to help produce more than one billion pounds per year of purified terephthalic acid (PTA) an essential ingredient in the film and synthetic fiber industry.

The influence of Santee Cooper's major role as an important catalyst for industrial growth and development was illustrated this year when Berkeley County became South Carolina's first billion dollar county in terms of industrial capital investment.

Amoco was not figured in Berkeley County's new top position of industrial investment. Neither was Alumax, which announced plans the previous year to construct a \$400 million aluminum reduction plant in Santee Cooper's service territory. This year Santee Cooper negotiated and signed a contract to supply power to Alumax at standard industrial rates. Alumax is projected to begin operations in 1980, with start up of it's first pot line.

To improve our management of the phenomenal growth and development being experienced by our customers and ourselves, Santee Cooper has expanded the scope of its forecasting. A 15-year load and capability forecast has been developed to predict the size, date, and location of each generating capacity addition through 1991. A 10-year cash construction schedule has been developed to help us plan

for long-range financing, and we are working on a 10-year manpower-requirements forecast and a 20-year transmission system-requirements forecast - all designed to help give us a sense of direction with a continuous updating as we move into the future.

Our projected normal load growth plus the projected load of known industrial and commercial installations has required a step-up in our construction activity. Work progressed on schedule for Units 3 and 4 at the Winyah Generating Station, planned to begin commercial operation in May, 1980, and May, 1982, respectively.

A contract was also awarded for the addition of a 60-megawatt combustion turbine peaking unit at our Hilton Head Generating Station with commercial operation scheduled for June, 1979.

Construction work on the Summer Nuclear Station in Fairfield County had reached 74% completion by the end of the fiscal year. Santee Cooper is one-third owner of this 900 megawatt generating station being constructed by South Carolina Electric and Gas Company. Our share of the output will be 300 megawatts. The commercial operating date is scheduled for 1980.

Site studies were made and engineering designs started for a new generating station site for units which are forecast to be required after 1982.

The coal miners' strike presented a unique challenge this year. Fortunately, we anticipated the strike and in-

creased our coal stockpile from a 70-day supply to about 115 days. This stockpile was used to generate needed electric power to meet our customers' demands as well as send electric power to other parts of the country hard hit by the strike.

To reduce the problems caused by a shortage of railroad hopper cars, we entered into contracts to acquire 154 hopper cars, adequate for two unit trains, which will assure more stability in shipping coal under our most economical long-term contracts. Also, to assure a future supply of coal, we contracted for exclusive rights to reserves sufficient to provide enough fuel for one major generating unit for 20 years. The reserves are located on the Norfolk and Western Railroad, our first contract with a shipping point not located on the Louisville and Nashville Railroad.

Santee Cooper's greatest source of energy in responding to needs and growth of its customers and as a catalyst for economic development is its people. The dedicated, professional service of our employees blends an experienced staff with a corps of energetic, innovative, younger employees. This team is dedicated to the corporate goal and commitment to our customers and the people of South Carolina to operate as efficiently and economically as possible to continue providing low cost reliable electric power.

*William C. Mescher*

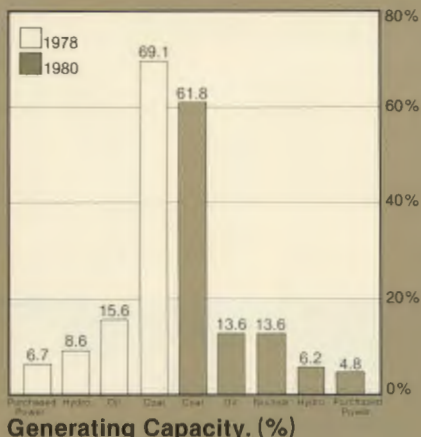
# Generation

## Generation Capacity & Load Growth

During Fiscal Year 1978, Santee Cooper generated a total of 5,978,256,000 kilowatt-hours of electricity, purchased and interchanged 203,129,780 kilowatt-hours, and sold 5,561,559,739 kilowatt-hours. This was an increase over the previous fiscal year of 16.4% in kilowatt-hours generated and 8.96% in kilowatt-hours sold. The kilowatt-hours purchased and interchanged over the same period decreased 36.1%.

A new record hourly peak load of 1231 megawatts was set on June 28, 1978, exceeding the previous 1977 calendar year peak of 1161 MW by 6 percent.

An hourly peak load of 1364 megawatts has been forecast for calendar year 1979.



Generating Capacity. (%)

## Production

### Station Construction

Units 3 and 4 at the Winayah Generating Station are under construction with scheduled commercial dates of May 1, 1980, and May 1, 1982. Winayah Unit No. 3 construction cost estimate is \$142,230,000. At the end of the fiscal year, contract commitments totalled \$81,867,000 with on-site construction approximately 10.5 percent complete.

The Unit No. 4 main station foundation construction will start in October, 1978. Orders for major equipment with long lead times have been placed. The current construction cost estimate is \$146,175,000.

### Facility Improvements

Jefferies Steam Unit Nos. 3 and 4 were converted from forced to balanced draft boilers. This major modification will result in lower maintenance cost, extend the life of the units, and greatly improve working conditions in the station.

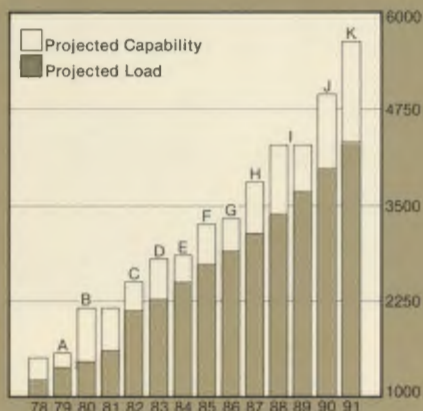




## Expanding Facilities

Preliminary engineering and environmental studies have been initiated for future generation to supply the electrical demands of Santee Cooper customers. Continued load growth will require construction of a generating station at a new site in the mid-1980's.

A contract has been awarded for a third peaking unit at the Hilton Head Generating Station. The new unit, a 56 MW combustion turbine, is scheduled for commercial operation in June, 1979.



A- Hilton Head #3	56 MW
B- Winyah #3	280 MW
Summer Nuclear #1	300 MW
C- Winyah #4	280 MW
D- St. Stephen Hydro	20 MW
New Site X #1	450 MW
E- St. Stephen Hydro	20 MW
St. Stephen Hydro	20 MW
F- New Site X #2	450 MW
G- St. Stephen Hydro	24 MW
H- New Site X #3	450 MW
I- New Site X #4	450 MW
J- New Site Y #1	650 MW
K- New Site Y #2	650 MW

**Load & Capacity Forecasts  
1978-1991.**

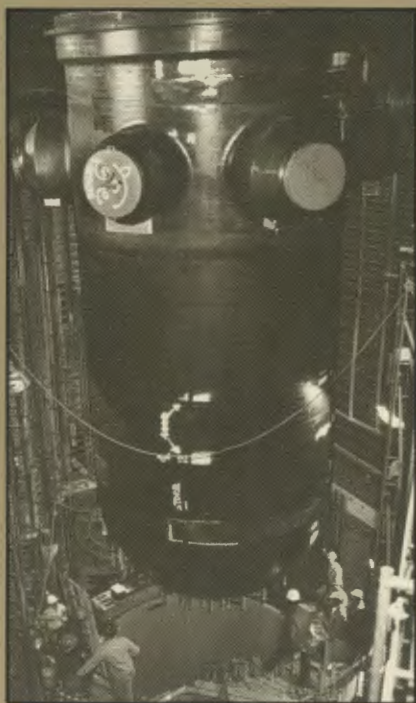






## Summer Nuclear

Construction work continued at the Virgil C. Summer Nuclear Station site approximately 26 miles northwest of Columbia. Santee Cooper is a one-third owner of this 900,000 kilowatt generating station and will receive 300,000 kilowatts of its output when it is

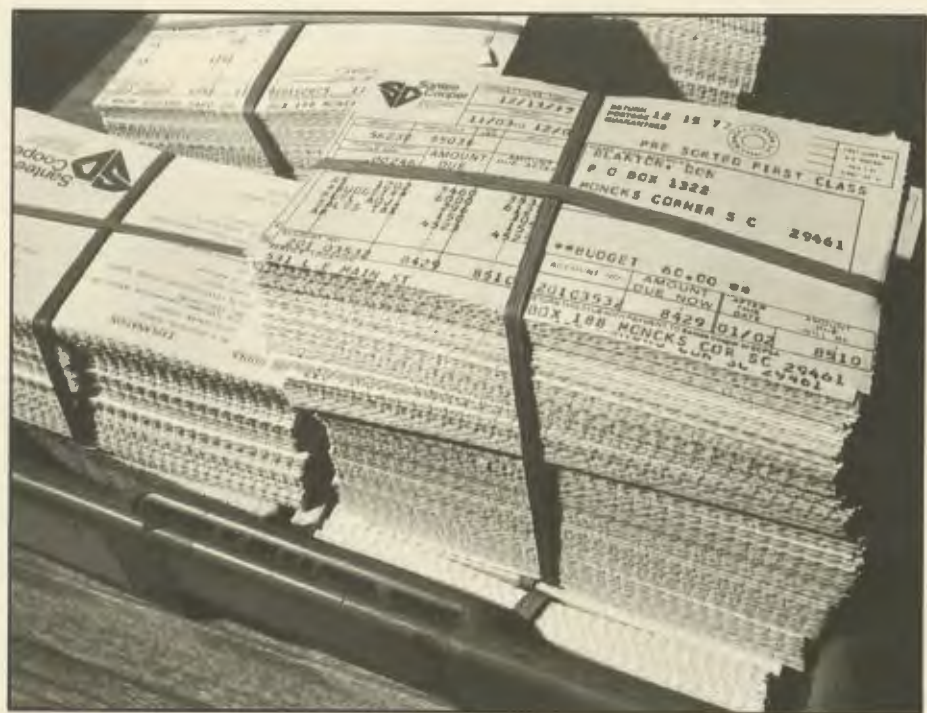


completed and becomes operational in 1980. South Carolina Electric and Gas Company (SCE&G) acts as agent for Santee Cooper and is responsible for the design, construction, operation, and maintenance of the project. At the end of June, the project was estimated to be 74% complete.

The application for an operating license was made during the fiscal year with the Nuclear Regulatory Commis-

sion based on a commercial operating date of May 1980.

The legal action initiated against Westinghouse in October, 1975, regarding a nuclear fuel supply contract, continued during the year and closing arguments were concluded in the U. S. District Court for the Eastern District of Virginia on June 3, 1978. The court took the case under advisement and on June 12, Westinghouse submitted a proposal for settlement to SCE&G. Evaluation of this proposal was in progress at the end of the fiscal year. At this time, it is not possible to estimate the amount of damages, if any, caused by the Westinghouse action. This litigation is not expected, however, to affect the operating schedule for the Summer project since adequate uranium has been obtained for the initial fuel loading.

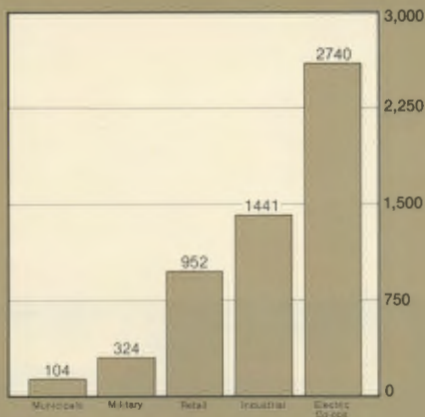


# Sales

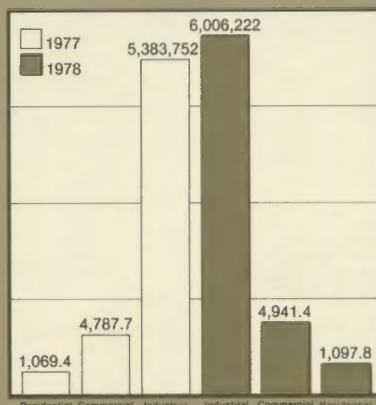
At the end of the fiscal year, Santee Cooper residential, commercial, and small industrial customers totalled 44,253, an increase of 3,449 over the previous year, or about 8.5 percent. Sales to these customers during the year totalled 985,700,000 kilowatt-hours of electricity, up 7.7 percent over the previous year. These figures reflect a leveling off during the fiscal year when compared to respective increases the previous year of 6 percent in the number of customers and 14.7 percent in kilowatt-hour sales.

Sales to large industrial customers increased by about 6.2 percent during the year, compared to a 13 percent increase the previous fiscal year. Total sales to the U. S. Air Force bases at Charleston and Myrtle Beach and to the Charleston Naval Shipyard, however, increased about 6.9 percent, compared to less than a one percent increase the previous year.

Sales to 15 of the state's 20 electric cooperatives through Central Electric Power Cooperative, Inc., and to the municipalities of Georgetown and Bamberg were more than 2.8 billion kilowatt-hours, an increase of 10.4 percent over the previous year. The electric cooperatives and municipalities distribute Santee Cooper power to more than 200,000 customers in 35 of the state's 46 counties.

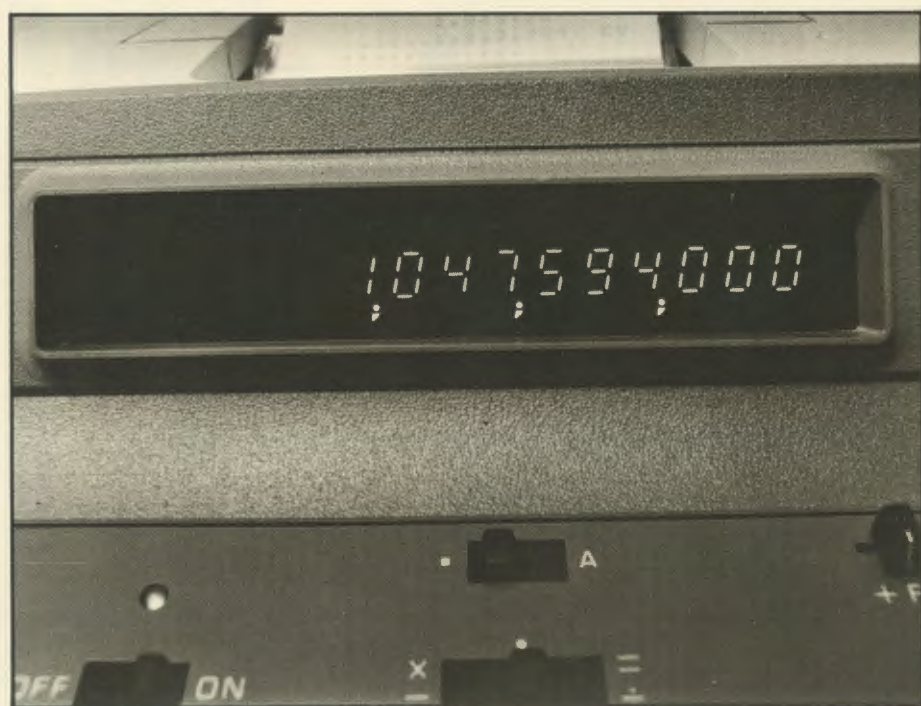


**Sales (Millions of KWH)  
FY-1978.**



**Average Monthly Consumption  
Per Santee Cooper Customer  
(KWH).**





# Finance and Accounting

Since the creation of Santee Cooper on May 22, 1934, a net amount of \$495,129,000 has been expended for production, transmission, distribution, and general plant facilities. These capital additions have been financed through net revenues, issuance of electric revenue bonds, and a Federal grant in aid of \$34,438,000.

On August 31, 1977, Santee Cooper issued \$115,000,000 Electric System Expansion Revenue Bonds, 1977 Series, for the major purpose of providing payment for the completion of the one-third share of the Summer Nuclear Station.

On March 21, 1978, \$200,000,000 Electric System Expansion Revenue Bonds, 1978 Series, were issued. The major purpose of this issue is to pay the estimated costs of construction of Unit 3 of the Winyah Generating Station. The net interest costs of these two issues were 5.76% and 5.88%, respectively.

On March 21, 1978, Santee Cooper's Board of Directors adopted a general rate increase to become effective May 1, 1979, two years since the last increase. The rate increase will produce approximately \$9,000,000 additional revenue for the fiscal year beginning July 1, 1979.

Santee Cooper's net revenues since delivery of power started in 1942 have totalled \$97,980,000. After payments in lieu of taxes to the State of South Carolina in the amount of \$13,332,000 and to counties and municipalities within our service territory in the amount

of \$3,593,000, the remaining net revenues of \$81,065,000 have been reinvested in generating facilities and other system improvements.

Revenue bonds totalling \$1,047,594,000 have been issued since the creation of Santee Cooper. Bonds which were originally issued in 1949, 1971, and 1976 were advance refunded in 1973 and 1977 and have been defeased. These bonds had an outstanding balance of \$215,674,000 at the time they were refunded. Principal payments on all bond issues, including the issues refunded, total \$21,730,000. Outstanding bonds as of June 30, 1978, totalled \$810,190,000. The average annual interest cost on these bonds is 5.67%.

As of June 30, 1978, unexpended funds from the sale of bonds amounted to \$217,258,000 in addition to debt reserve and interest funds which totalled \$153,112,000.

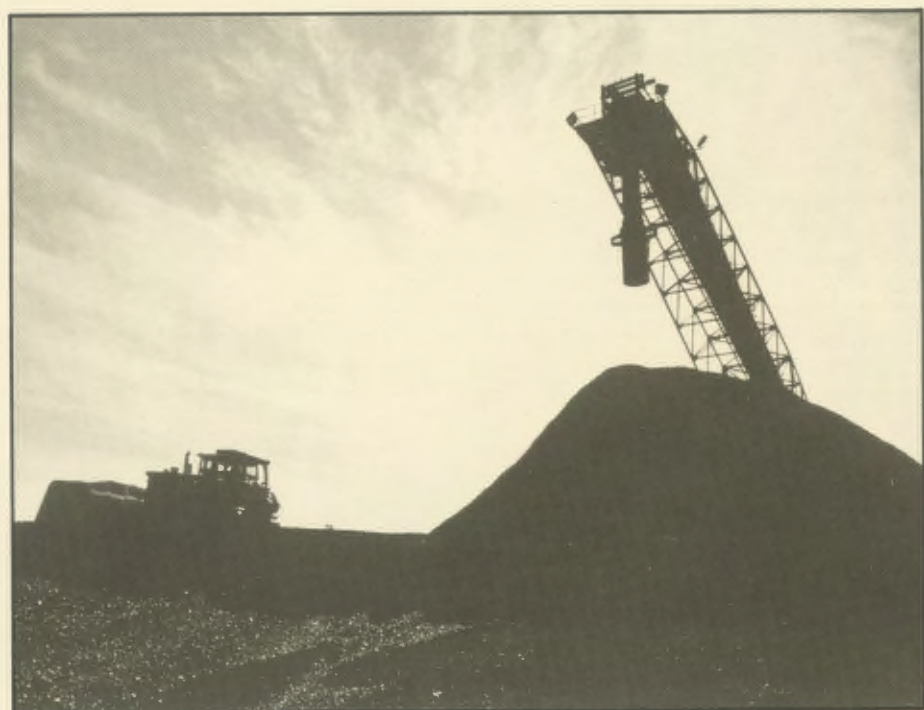
# Schedule of Bonds Outstanding

(In Thousands) As of June 30, 1978

Maturity Date July 1	1950 Issue		1967 Issue		1973 Refunding Issue		1973 Issue		1974 Issue	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
1978	2.70	235	4	135	5½	610				
1979	2.70	240	4	140	5½	645				
1980	2.70	245	4	150	5½	680	5	825	6	100
1981	2.70	255	4	150	5.40	715	5	870	6	880
1982	2.70	260	4.10*	160	5	755	5	920	6	885
1983	2.70	265	4.10*	165	5	795	5	970	6	980
1984	2.70	275	4.10*	335	5	830	5	1,025	6	1,035
1985	2.70	285	4.10*	630	5	875	5.20	1,075	6	1,105
1986	2.70	290	4.10*	660	5	920	5.20	1,130	6	1,170
1987	2.70	300	4.10*	685	5	965	5.20	1,185	6	1,250
1988	2.70	310	4.10*	715	5	1,010	5.20	1,250	6	1,325
1989	2.70	480	4.10*	575	5	1,060	5¼	1,315	6.10	1,405
1990	2.70	1,900	4.10*	420			5¼	1,380	6.20	1,505
1991	2.70	1,950	4.10*	440			5.30	1,455	6¼	1,590
1992	2.70	2,005	4.10*	455			5.40	1,530	6.30	1,695
1993	2.70	2,060	4.10*	480			5.40	1,615	6.30	1,795
1994			4.10*	2,605			5¾*	1,700	6.40	1,910
1995			4.10*	2,720			5¾*	1,795	6.40	2,035
1996			4.10*	2,845			5¾*	1,900	6.40	2,155
1997			4.10*	2,975			5¾*	2,010	6½	2,295
1998			4.10*	3,105			5¾*	2,125	6½	2,435
1999			4.10*	3,245			5¾*	2,245	6½	2,590
2000			4.10*	3,395			5¾*	2,375	6¾*	2,750
2001			4.10*	3,545			5¾*	2,510	6¾*	2,920
2002			4.10*	3,705			5¾*	2,655	6¾*	3,110
2003			4.10*	3,870			5¾*	2,810	6¾*	3,295
2004			4.10*	4,045			5¾*	2,970	6¾*	3,505
2005			4.10*	4,230			5¾*	3,140	6¾*	3,730
2006			4.10*	4,420			5¾*	3,325	6¾*	3,950
2007							5¾*	3,515	6¾*	4,205
2008							5¾*	3,715	6¾*	4,470
2009							5¾*	3,930	6¾*	4,745
2010							5¾*	4,155	6¾*	5,045
2011							5¾*	11,520	6¾*	5,350
2012							5¾*	12,180	6¾*	5,695
2013							5¾*	12,880	6¾*	6,045
2014									6¾*	20,045
2015										
2016										
2017										
2018										
Total Outstanding	\$11,355		51,000		9,860		100,000		109,000	
Bonds Redeemed to 6/30/78	\$ 3,945		600		2,190					
Original Issue	\$15,300		51,600		12,050		100,000		109,000	
Bonds Issued in 1949, 1971, and 1976 have been advance refunded and are no longer a										



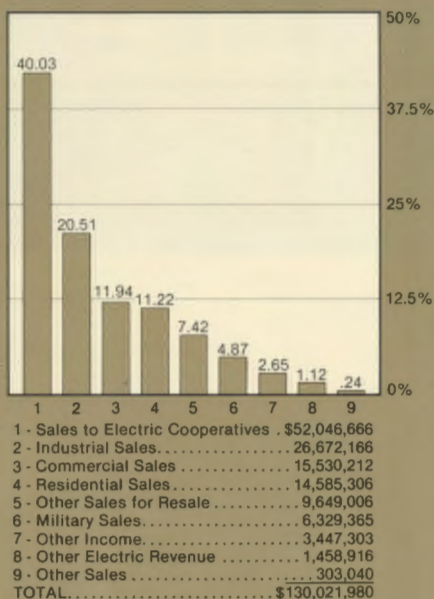
1977 Refunding Issue		1977 Issue		1978 Issue		Total Principal Maturities	Accruing Interest	Total Debt Service
Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.			
3.10	1,520					2,500	45,973	48,473
3.40	1,565					2,590	45,880	48,470
3.70	1,615					3,615	45,779	49,394
4	2,405			4.20	100	5,375	45,625	51,000
4.15	2,500	4	420	4.30	200	6,100	45,377	51,477
4.30	2,595	4.10	410	4.40	895	7,075	45,097	52,172
4.45	2,710	4.20	435	4½	780	7,425	44,771	52,196
4.60	2,835	4.30	445	4.60	970	8,220	44,422	52,642
4¾	2,975	4.40	470	4.70	1,015	8,630	44,029	52,659
4.90	3,120	4½	490	4.80	1,070	9,065	43,610	52,675
5	3,280	4.60	515	4.90	1,125	9,530	43,163	52,693
5.10	3,450	4.70	540	5	1,200	10,025	42,683	52,708
5.20	3,620	4.80	570	5.05	1,155	10,550	42,176	52,726
5.30	3,830	4.90	590	5.10	1,220	11,075	41,668	52,743
5.40	4,035	5	625	5.15	1,285	11,630	41,127	52,757
5½	4,260	5.10	660	5.20	1,355	12,225	40,547	52,772
5.60	4,480	5.20	720	5¼	1,440	12,855	39,933	52,788
5.65	4,710	5.30	785	5.30	1,515	13,560	39,243	52,803
5.70	4,995	5.40	830	5.35	1,585	14,310	38,510	52,820
5.70	5,265	5.45	890	5.40	1,670	15,105	37,731	52,836
5 7/8*	5,590	5½	935	5.40	1,760	15,950	36,906	52,856
5 7/8*	5,915	5½	1,005	5.70*	1,850	16,850	36,023	52,873
5 7/8*	6,275	5.55	1,065	5.70*	1,940	17,800	35,085	52,885
5 7/8*	6,665	5.60	1,130	5.70*	2,045	18,815	34,085	52,900
5 7/8*	7,050	5.60	1,220	5.70*	2,145	19,885	33,027	52,912
6*	7,490	5¾*	1,295	5.70*	2,260	21,020	31,907	52,927
6*	7,950	5¾*	1,380	5.70*	2,380	22,230	30,712	52,942
6*	8,450	5¾*	1,460	5.70*	2,500	23,510	29,447	52,957
6*	8,970	5¾*	1,570	5.70*	2,630	24,865	28,108	52,973
6*	9,400	5¾*	1,795	5.70*	7,385	26,300	26,690	52,990
6*	9,950	5¾*	1,945	5.70*	7,845	27,925	25,116	53,041
6*	10,565	5¾*	2,080	5 7/8*	8,330	29,650	23,445	53,095
6*	11,210	5¾*	2,225	5 7/8*	8,845	31,480	21,656	53,136
6*	4,980	5¾*	2,180	5 7/8*	9,390	33,420	19,756	53,176
6*	5,315	5¾*	2,300	5 7/8*	9,980	35,470	17,757	53,227
6*	5,625	5¾*	2,500	5 7/8*	10,590	37,640	15,634	53,274
6*	6,010	5¾*	2,640	5 7/8*	11,250	39,945	13,382	53,327
6*	9,515	5¾*	21,065	5 7/8*	11,950	42,530	10,856	53,386
6*	11,285	5¾*	21,235	5 7/8*	12,555	45,075	8,372	53,447
		5¾*	34,580	5 7/8*	13,190	47,770	5,736	53,506
				5 7/8*	50,600	50,600	2,973	53,573
213,975		115,000		200,000		810,190	1,344,017	2,154,207
1,175						7,910		
215,150		115,000		200,000		818,100		
liability of Santee Cooper.		*Term Bonds						



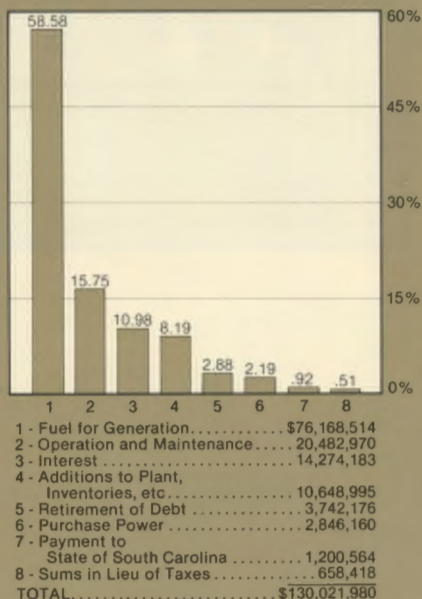
# The Revenue Dollar

Forty-five percent of Santee Cooper's FY 1978 electric revenue was generated by power sales to 15 of the state's 20 electric cooperatives for distribution to the more than 200,000 customers which they serve. About 23 percent was derived from retail and another 23 percent from industrial customers. The remaining nine percent was obtained from power sales to investor-owned utilities and municipalities plus land rental and interest income.

Based on known industrial load additions and historical load growth, sales to the industrial classification will replace sales to the cooperatives as the major source of revenue.



**Revenue Dollar  
Source of Income.**



**Revenue Dollar  
Distribution of Income.**

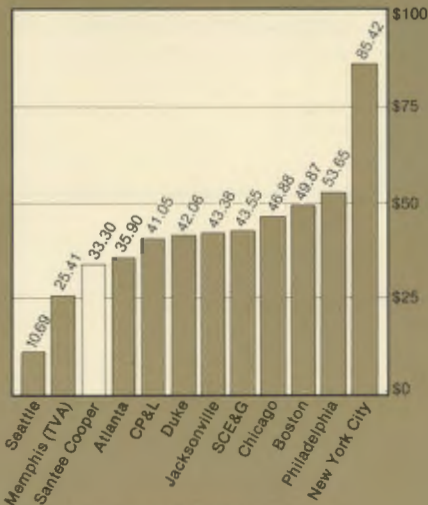




# Average Residential Consumption

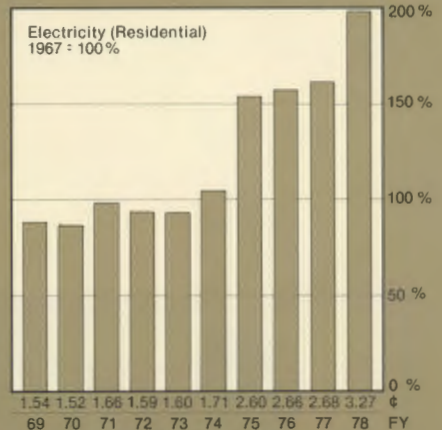
The average residential consumption of electricity by customers served directly by Santee Cooper during the year was 13,174 kilowatt-hours, an increase of about 2.67 percent, as compared to a 12 percent increase the previous year.

This modest increase is believed to reflect customer response to our energy conservation program coupled with the somewhat milder summer and winter temperatures experienced this year.

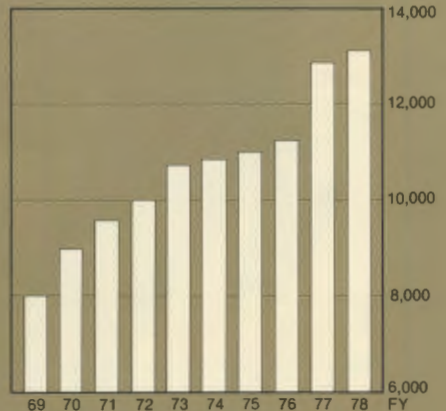


**Monthly Residential Electric Bills Per 1000 KWH -1978**

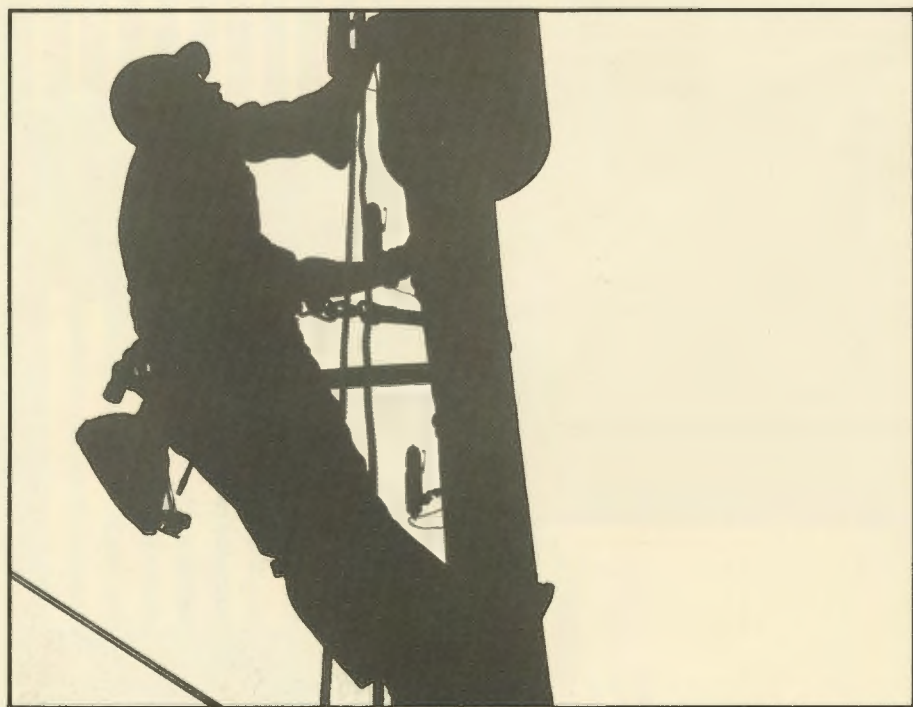
Charges listed include basic rate and fuel adjustment charge and applicable franchise fees.



**Average Residential Cost of Electricity Per KWH. (¢)**



**Average Residential Consumption (KWH).**





# Districts

## Myrtle Beach

The Myrtle Beach District serves the towns of North Myrtle Beach, Atlantic Beach, Briarcliffe, Myrtle Beach, Surfside and also other areas on or near the Grand Strand such as Little River, Dunes, Socastee, Garden City, Litchfield, and Pawleys Island. Customer growth was 10.6 percent to a total of 32,520 and sales of energy increased 9 percent.

There were approximately 1250 additional mobile homes and campsites created during the year. The residential developments of Windjammer Village, Timberridge, Briarwood, The Landing, and Carpoines are part of the more than 620 new residential lots that were added, many of them being served underground. New motel units, including a 60 unit Holiday Inn with restaurant at Surfside, amounted to 250. Including shopping centers, restaurants, and waterslides, there were more than 30 new businesses established. The Myrtle Beach District continues to grow both in tourism and permanent residences.

## Conway

The Conway District service area includes the towns of Conway and Loris, the Red Hill, Bucksport, and Gurly communities, and areas surrounding these locations. The number of customers in Conway increased 2.1 percent to a total of 7,762 and the number of kilowatt hours consumed increased 6.4 percent.

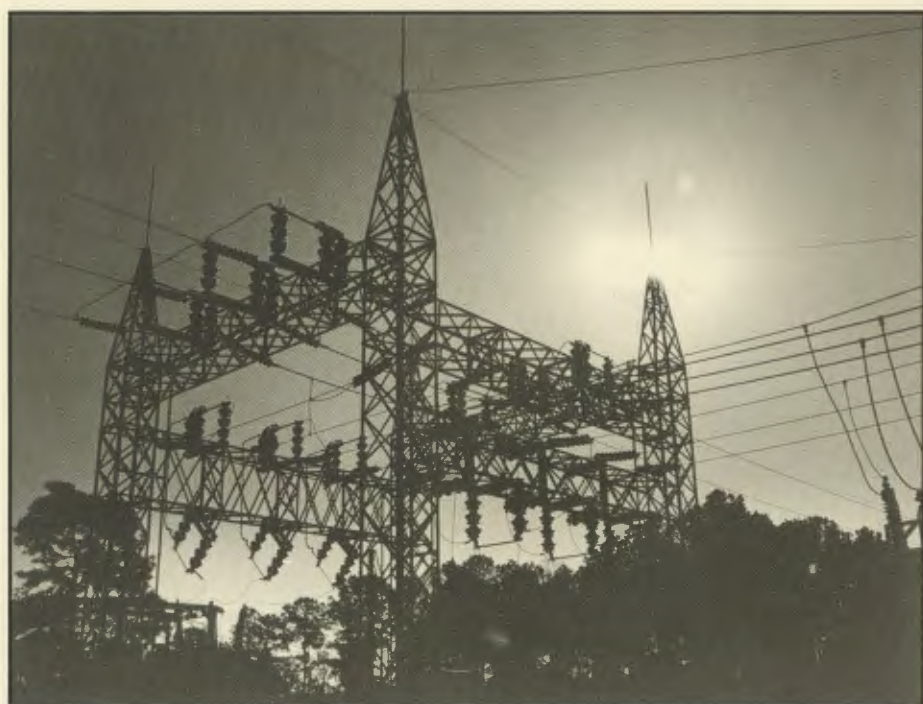
Service was provided for two new buildings (student union and library) at the Coastal Carolina College. Horry-

Georgetown Technical Education Center added a new administrative section which required service. New underground services were installed to Loris Hospital and an expanded Waccamaw Pottery. Both Quail Creek and Cypress Creek Subdivisions expanded by adding more than 60 new residential lots.

## Moncks Corner

The Moncks Corner District provides service to the towns of Moncks Corner and St. Stephen, as well as the adjacent areas of Pinopolis and Bonneau Beach. The number of customers increased by 4.3 percent to 3971 while consumption decreased by 1.2 percent.

Krapfel Corporation, which manufactures connection blocks for computer circuitry, began operation. The Moncks Corner Youth Association installed two hundred and fifty-two 1500 watt quartz lights for ball park lighting on their three recreational fields.



# System Operations

## Reliability

Santee Cooper is one of the thirty member organizations in the Southeastern Electric Reliability Council (SERC), which includes all power suppliers in the region with a generating capacity of 25 MW or more. The Council cooperatively assists member systems in coordinating overall planning and studies to achieve maximum reliability.

Santee Cooper is also one of seven power systems in the Virginia-Carolinas Reliability (VACAR) Group, which includes South Carolina Electric and Gas Company, Carolina Power and Light Company, Duke Power Company, Virginia Electric and Power Company, Yadkin, Inc., and Southeastern Power Administration. The member systems have a coordination agreement to further safeguard the reliability of their service.

Interconnections are maintained with the South Carolina Electric and Gas Company at Bushy Park, North Charleston, St. George, and Columbia; with the Southeastern Power Administration at Clark Hill; and with the Carolina Power and Light Company at Kingstree, Darlington, Hemingway, Lugoff, and Robinson.

## Transmission

Santee Cooper's transmission system consists of approximately three thousand miles of transmission lines with voltages ranging from 34 through 230 KV. The transmission system extends through 35 of the state's 46 counties providing service to

two municipalities, three military installations, twenty-two industrial customers, and fifteen electric cooperatives having approximately 170 delivery points.

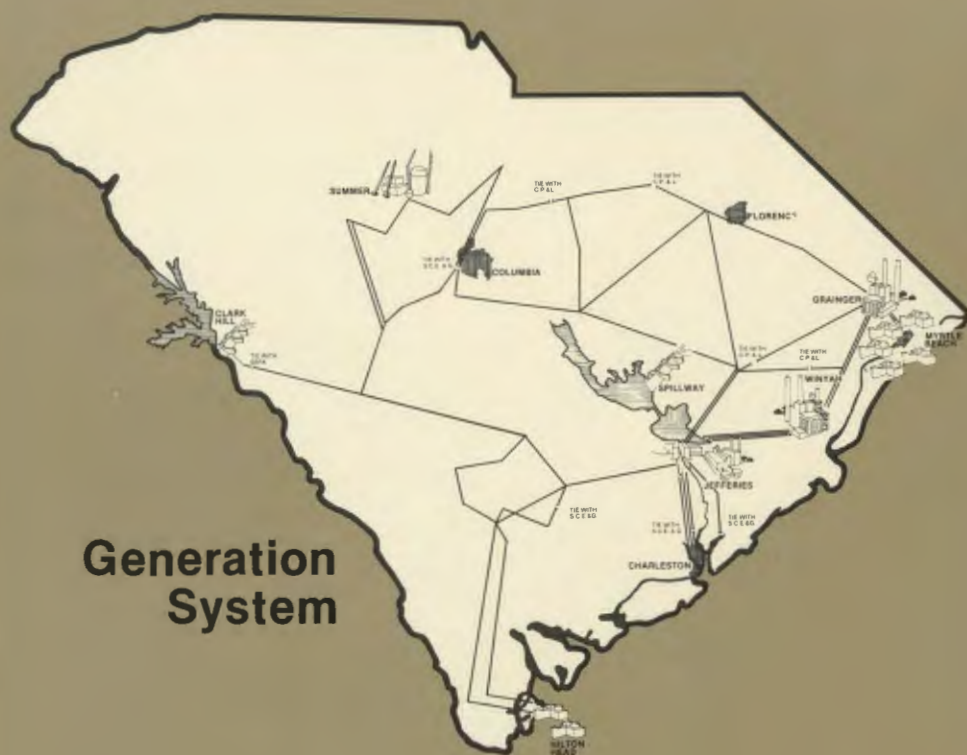
The new Amoco plant near Huger was completed with 230 KV service provided by Santee Cooper.

Planning and construction of extensive 230 KV additions also began at the Batesburg, Newberry, Blythewood, and Camden substations, with completion scheduled for the fall of 1978.

At present, Santee Cooper has approximately 90 transmission and distribution substations and switching stations. Approximately 6 billion kilowatt hours of electricity were delivered to customers through these facilities. Five new cooperative substations and one new industry were added to the transmission system during the year.



# Santee Cooper Power: Where It Comes From



## Generation System

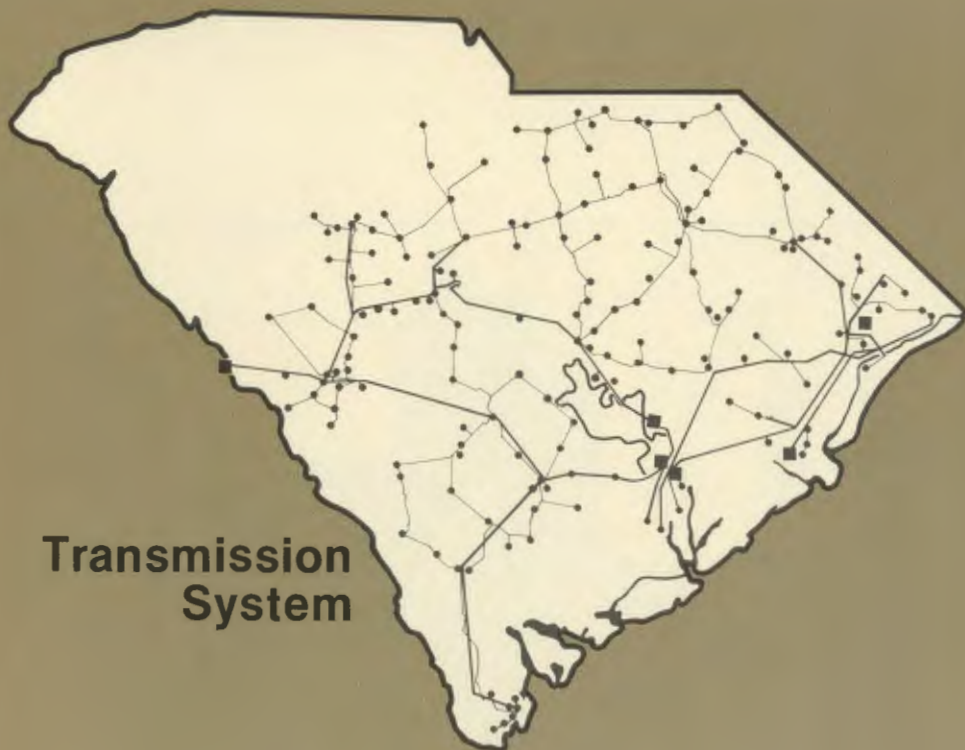
### Retail Customers Served Directly

Cherry Grove  
Chestnut Hill  
Conway  
Crescent Beach  
Garden City  
Litchfield Beach  
Loris  
Moncks Corner  
Myrtle Beach  
N. Myrtle Beach  
Ocean Drive  
Pawley's Island  
Pinopolis  
St. Stephen  
Surfside

### Electric Cooperative Distributors

Aiken Electric Cooperative  
Berkeley Electric Cooperative  
Black River Electric Cooperative  
Coastal Electric Cooperative  
Edisto Electric Cooperative  
Fairfield Electric Cooperative  
Horry Electric Cooperative  
Lynches River Electric Cooperative  
Marlboro Electric Cooperative  
Mid-Carolina Electric Cooperative  
Newberry Electric Cooperative  
Palmetto Electric Cooperative  
Pee Dee Electric Cooperative  
Santee Electric Cooperative  
Tri-County Electric Cooperative

# & Where It Goes.



## Transmission System

### Industrial Customers

Airco, Inc.  
Albany Felt Co.  
Amoco Chemicals Corp.  
Andrews Wire Corp.  
AVX Ceramics Corp.  
Georgetown Steel Corp.  
Georgia-Pacific Corp.  
Giant Portland Cement Co.  
Grove Mfg. Co.  
International Paper Co.  
Loris Mfg. Co.  
McAndrews and Forbes Co.  
Mobil Chemical Co.  
Santee Portland Cement Co.  
Santee River Wool Combing Co.  
Uniroyal, Inc.

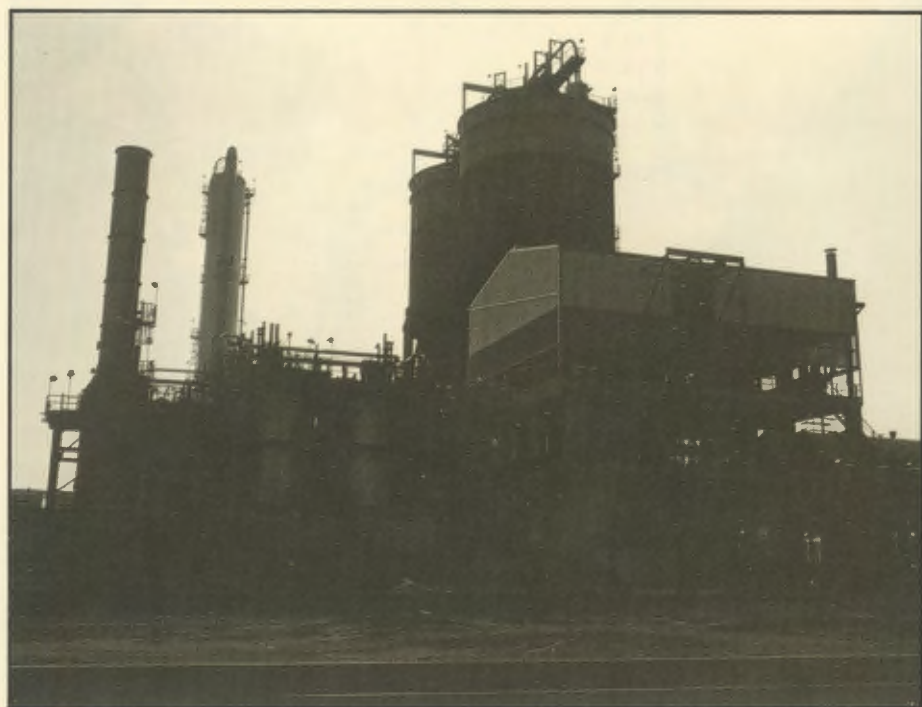
United Merchants  
and Manufacturers, Inc.  
Waccamaw Clay Products Co.  
Waccamaw Lumber Co.  
Wellman Industries, Inc.  
Wolverine Brass Works

### Military Installations

Charleston Air Force Base  
Charleston Naval Shipyard  
Myrtle Beach Air Force Base

### Municipal Distributors

Bamberg  
Georgetown





# Industrial Development

A long-term contract for power between Santee Cooper and Alumax, Inc. was negotiated and signed during the fiscal year. Construction of the California-based firm's newest primary aluminum reduction plant is now under way in Berkeley County, with initial delivery of production power scheduled for July 1980.

Industrial customers continued to use approximately 25% of the power generated by Santee Cooper. A healthy increase in consumption by most customers was noted; however, the total industrial load, measured in terms of kilowatt hours used, increased only 6.25%, due in large part to the closing of the MacAndrews and Forbes Co. early in the fiscal year.

Construction was completed on the new Amoco chemicals plant in Berkeley County. It is scheduled to begin operations in November 1978 and will produce more than 1 billion pounds per year of PTA, Purified Terephthalic Acid, a key ingredient in the manufacture of film and synthetic fibers.

A pronounced increase in industrial development activity occurred in our service area, with foreign investors expressing particular interest.

John F. Hassell, III, previously Industrial Relations Representative, was assigned to Governmental Affairs and Industrial Development as Assistant to the Vice President, with primary responsibility of establish-

ing and maintaining contact with industrial prospects.





**Another Super  
Energy Efficient  
Home Under  
Construction**



**Santee  
Cooper**

SOUTH CAROLINA  
PUBLIC SERVICE  
AUTHORITY

# Commercial Operations

## Customer Services

Santee Cooper intensified its consumer oriented customer services program to promote and emphasize the efficient utilization of electric energy. More than 500 conservation surveys and energy audits were provided for residential, commercial, and industrial customers to identify inefficient energy uses and recommend methods and means to eliminate energy waste. Assistance in the establishment of detailed energy management programs was provided for commercial and industrial customers.

Civic programs, pamphlets, and advertising were utilized to create a greater energy awareness and provide general information to assist customers with their conservation efforts.

An Energy Efficient Home Awards Program was established to recognize homes meeting a high level of thermal design. The program is designed to be an effective vehicle to reduce peak demand and to promote efficient energy usage.

Programs and films were presented at schools within the service area to familiarize tomorrow's energy users with today's problems. Santee Cooper is cooperating with other utilities in the state to present a program, "Energy Today and Tomorrow", to secondary schools. This program, developed by Oak Ridge Associated Universities, makes an outstanding presentation designed to create an energy awareness among our youth.

## Public Relations

Santee Cooper's Public Relations activities were expanded during the year with the addition of an assistant to administer the internal communications program, so vital in a growing organization.

Major emphasis was placed on increased flow of information and support for programs designed to improve employee morale. Special support was given to the employee's associations to generate increased involvement and activity among and within those organizations.

The advertising program concentrated on promoting the wise and efficient use of electricity. "Over Your Next Cup of Coffee, Think Insulation," was among the constant advertising reminders to customers.



A major campaign was introduced to promote the new Energy Efficient Home Recognition Program.

Santee Cooper was honored by local and district recognition for some of its print media advertising used to promote energy conservation.





## **Environmental Control**

### **Mosquito Abatement**

A management plan for area wide mosquito abatement was implemented this year. Abatement activities were conducted throughout the five county area of the project in the combined interest of mosquito control, outdoor recreation, tourism, industrial development, and wildlife development and protection.

### **Aquatic Plant Management**

Research studies by Clemson University, Santee Cooper and the U. S. Army Corps of Engineers Waterways Experiment Station were conducted on the noxious aquatic plant, Brazilian elodea, which covers thousands of acres in Lake Marion. Large scale field management studies of experimental chemical control agents were conducted to evaluate their efficiency and impact on water quality. A long-term management plan for the control of all species of noxious aquatic plants was developed and published. Interim control measures were executed to provide water access to landings and marinas.

### **Water Quality Management**

Water quality studies of the Santee Cooper lakes by the Department of Health and Environmental Control were completed. These studies will provide data for maintaining acceptable water quality. Environmental Control and Clemson University are conducting an additional water quality study at 21 sampling stations

on Lakes Marion and Moultrie. Twenty parameters are being analyzed at monthly intervals from all inflowing tributaries and point source discharge sites. Harmful pollutants, which accelerate the normal ageing process of the lakes, will be identified and measured.

### **Aquaculture**

Two species of tropical fish, commonly referred to as "Tilapia", were introduced into the 400 acre Winyah Generating Station cooling reservoir. Stocking of these fish was conducted to establish biological weed/algae control and beneficial use technology of thermal waste. The primary objective of this program is to maintain continuous control of aquatic plant growths and to study the commercial profitability of fish production and marketing.



## **Federal Energy Regulatory Commission**

Santee Cooper completed all of the work required by the Federal Energy Regulatory Commission in the relicensing procedure for the Santee Cooper project. A new Recreation Plan, Master Land Use Plan, and land use classifications were among the exhibits submitted to the FERC. The FERC Administrative Law Judge certified this information to the Commission on June 19, 1978. It is expected we will receive the new license before the end of FY 1979.

## **Project Mapping and Aerial Photography**

Mapping of all project property began this year to provide current data required as part of the new license. All ground control, aerial photography, and analytical triangulation were completed. In addition, a resurvey of all ownership and project boundaries has begun. The end result will be the preparation of a new set of project maps for submission to the FERC as part of the requirements for the new project license.

## **Data Processing**

Data Processing implemented a highly responsive Payroll/Personnel System in a data base, data communications environment.

A comprehensive general ledger/budget system was also introduced by Data Processing as the nucleus of a Management Information System. All of the major sub-systems were

tied into the new system, which should provide timely and essential management information about all areas within Santee Cooper.

Plans were developed for a modern retail billing system, which will be highly responsive to customer needs. Most of the initial design phase has been completed, with the development phase scheduled for FY 1979.





# Recreation & Land Management

## Public Recreation Facilities

Seventeen public landings are now available for boating access to the Santee Cooper Lakes. These areas offer launching and parking facilities without charge and remain open day and night throughout the year. Three more public landings are planned for construction in the near future.

Public use of lake facilities which offer launching, food, boat and motor rentals, fishing, water skiing, swimming, golf, hunting, camping, and many other types of recreation increased substantially during the year.

Santee State Park, the Santee National Wildlife Refuge, and the Francis Marion National Forest are several of the public areas of interest located nearby which are attracting increased numbers of visitors.



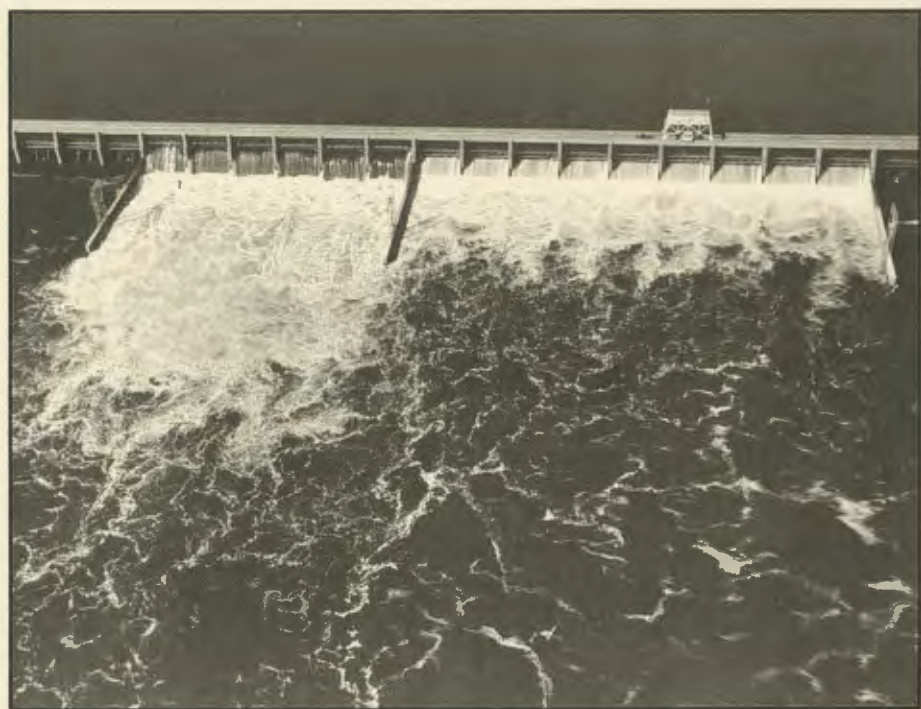
## Game Management Areas

In the interest of game management, 15,593 acres of prime wildlife and waterfowl habitat were leased during the year to the S. C. Wildlife and Marine Resources Department on a gratis basis. These areas provide sportsmen some of the finest large and small game hunting in the state. Proceeds from the sale of Game Management Area permits are put back into the Game Management Area Program on Santee Cooper lands and are utilized for planting dove fields, game food plots, construction and placement of wood-duck nests, and prescribed burning.

Including land and water areas, 5,468 acres were leased to the U. S. Department of the Interior as part of the Santee National Wildlife Refuge. This refuge provides valuable wintering grounds for the various species of waterfowl and greatly enhances waterfowl hunting in those areas throughout the lake system located outside of the refuge.

## Developed Land

Santee Cooper's leasing program includes 3,750 recreational leases, 83 commercial leases and 19 public, quasi-public, and civic leases. These leased lots provide a wide variety of recreation oriented facilities to the public and important economic benefits to the counties in which they are located.



## **Forest Management and Undeveloped Land**

Timber production included 7 million board feet of saw-timber and 2,560 cords of pulpwood harvested from Santee Cooper's forest lands, which comprise 25,000 acres. Santee Cooper's forestry program provides opportunities for various forms of forest recreation including hiking, bird watching, hunting, primitive camping, and nature study.

Forest lands are under an even age system of forest management based on a 60 year rotation. In addition to the many forestry activities performed, intensive prescribed burning procedures were conducted at various intervals for the purpose of enhancing wildlife habitat, controlling forest diseases, and reducing fuel buildup.

## **Flood Control**

Santee Cooper conducted spilling operations a total of 15 days during the months of January, February, and May, 1978, as part of its flood control program.

The maximum daily average inflow of 804,200 gallons per second occurred on January 27, 1978, and resulted in a maximum daily average spill of 272,230 gallons per second. This resulted in the flood crest on the lower Santee River being reduced to about one-third of what would have been experienced without Santee Cooper's flood control operations.





**It's All Here Engineers, All Years!**

working drawings  
contract documents  
cost estimates  
construction management  
program management  
procurement  
construction administration  
construction management at risk  
design-build  
program management  
procurement  
construction administration  
construction management at risk  
design-build

**Station Construction Engineer**

**Station Construction Engineer**  
Production Engineer

**Environmental Engineer**  
 The Environmental Engineer is responsible for the design, construction and operation of waste water treatment plants, air pollution control systems, and solid waste management facilities. The Engineer will also be responsible for the development and implementation of environmental management systems, and for the monitoring and evaluation of environmental impacts. The Engineer will be required to work closely with regulatory agencies and the public to ensure compliance with environmental laws and regulations. The Engineer will also be responsible for the preparation of technical reports, and for the supervision of junior staff. The Engineer will be required to have a degree in Environmental Engineering or a related field, and to have a minimum of five years of experience in the field. The Engineer will be required to have a good knowledge of environmental laws and regulations, and to have excellent communication and problem-solving skills. The Engineer will be required to work in a fast-paced, dynamic environment, and to be able to work independently and as part of a team. The Engineer will be required to have a strong commitment to environmental protection, and to be able to work under pressure. The Engineer will be required to have a good knowledge of the latest developments in environmental engineering, and to be able to apply this knowledge to the design and operation of environmental systems. The Engineer will be required to have a good knowledge of the local environment, and to be able to identify and solve environmental problems. The Engineer will be required to have a good knowledge of the latest developments in environmental engineering, and to be able to apply this knowledge to the design and operation of environmental systems. The Engineer will be required to have a good knowledge of the local environment, and to be able to identify and solve environmental problems.

Our product is energy,  
but our most important  
resource is people.



**Santee Cooper**  
SOUTH CAROLINA  
PUBLIC SERVICE  
TRUST

**NUCLEAR  
GINGER** is a  
chemical or  
plant. The ap-  
analysis  
We offer an excel-  
advancement oppo-  
geographic location  
and experience  
Qualified candidates  
sume including salary  
dence to A. M. Strickland  
Light Company P.O. Box  
Florida 33101  
AN EQUAL OPPORTUNITY  
POWER

POWER INDUSTRY

COOK ASSOCIATES  
1000 N. Dearborn St., Suite 100  
Chicago, Ill. 60610

# Industrial Relations

Affirmative Action Plan goals were revised and continued emphasis was placed on this program.

Competitive pay posture, especially in relation to south-eastern utilities and local industry, was carefully analyzed. Major emphasis continues to be placed on the "Pay for Performance" concept.

An extensive Employee Opinion Survey was conducted. Major attitude improvement toward the organization was indicated when comparing the 1978 results with the survey conducted in 1974.

Participation in the Employee Suggestion Program has increased substantially. Suggestions were accepted and awards granted for those benefiting the organization in the areas of cost-savings and safety.

Major employee benefits changes included revision of the vacation program, an increase in the long-term disability maximum salary coverage, participation in the unemployment compensation program, and increase in the mandatory retirement age to 70. A retirement counseling program began, and plans were completed for introduction of a dental insurance program.

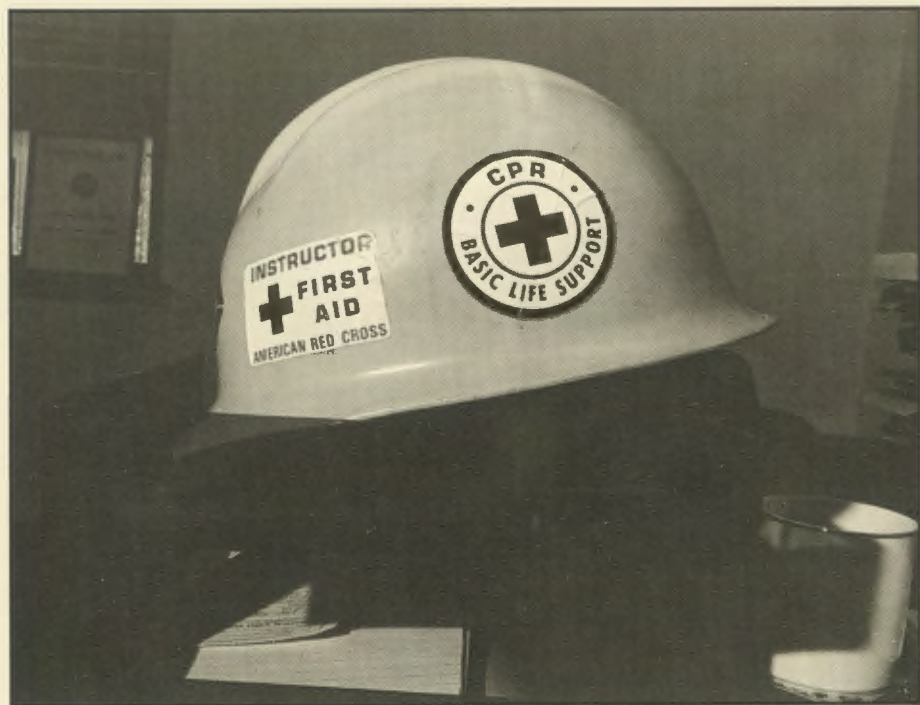
An Occupational Health Program was initiated which included the employment of a registered nurse responsible for emergency care and consultation regarding employee work-related illnesses and injuries. In addition, plans were finalized to employ a company physician on a part-time contract basis.

Under the Career Foundation Program, which provides rotation assignments to recent college graduates, several participants have been assigned to regular positions. In addition, participation has increased in the College Cooperative Education Program.

Employment growth during the year was approximately 7%. Multiple recruiting sources and practices were utilized including the use of agencies, college recruiting, advertising, and direct referrals.

Santee Cooper adheres to a policy of making all employment, compensation, promotion, and other related decisions without regard to race, color, sex, religion, national origin, age, handicap, or veteran status. These decisions are based solely on job related qualifications.





## Safety

Santee Cooper continues to maintain one of the most outstanding electric utility safety records in the nation. In 1977, we placed second in the American Public Power Association's annual competition for electric utilities operating in excess of one million man-hours.

Eighteen awards from the National Safety Council and 24 from the South Carolina Occupational Safety Council were presented to Santee Cooper units for their outstanding safety records.

The Jefferies Generating Stations received the Award of Merit - the second highest presented - from the National Safety Council. This was in recognition for operating more than one million man-hours (since 1972) without a lost time accident.

As an innovative approach to recognizing employees for their outstanding safety participation, the annual safety meeting was replaced with a series of 12 President Safety Award Dinners, each held with the respective units in their locale.

The APPA Safety Manual was adopted as the official one for use by Santee Cooper, and safety training programs continued in first aid, cardio-pulmonary resuscitation, and defensive driving.







# Auditor's Opinion

## **J.W. Hunt and Company**

1607 St. Julian Place  
Post Office Box 265  
Columbia, S.C. 29202

The Advisory Board  
South Carolina Public Service Authority  
Columbia, South Carolina

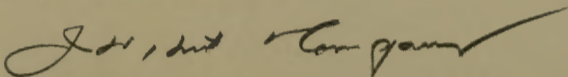
Gentlemen:

We have examined the balance sheet of the South Carolina Public Service Authority as of June 30, 1978, and June 30, 1977, and the related statements of accumulated net revenues, revenue and expenses, and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

For the year ended June 30, 1978, the method used for computing the allowance for funds used during construction was changed, in accordance with order 561 from the Federal Energy Regulatory Commission. This resulted in an increase in the amount of interest capitalized by \$946,015 with a resultant increase in net revenues of the same amount. See Note 10.

In our opinion, the accompanying financial statements present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1978, and June 30, 1977, and the results of its operations and changes in financial position for the two (2) years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except as set forth in the preceding paragraph.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J.W. Hunt", with a long, sweeping horizontal stroke extending to the right.

September 21, 1978

# Exhibit A

BALANCE SHEET  
JUNE 30, 1978 AND 1977

Assets	1978	1977
<b>ELECTRIC PLANT, AT ORIGINAL COST - NOTE 2:</b>		
Electric plant in service .....	\$377,591,327	\$363,498,199
Electric plant held for future use...	652,775	739,587
Total .....	<u>378,244,102</u>	<u>364,237,786</u>
Less, accumulated depreciation ...	66,412,477	57,600,078
Balance .....	<u>311,831,625</u>	<u>306,637,708</u>
Construction work in progress .....	206,158,403	130,524,490
Total .....	<u>517,990,028</u>	<u>437,162,198</u>
 <b>OTHER PHYSICAL PROPERTY: .....</b>	 622,838	 545,508
Less, accumulated depreciation ...	132,392	126,190
Balance .....	<u>490,446</u>	<u>419,318</u>
 <b>IMPOUNDED RESERVE FUNDS -</b>		
<b>NOTE 3:.....</b>	<u>154,598,462</u>	<u>90,599,868</u>
 <b>UNEXPENDED FUNDS FROM SALE OF</b>		
<b>ELECTRIC SYSTEM EXPANSION</b>		
<b>REVENUE BONDS - NOTE 3 .....</b>	<u>217,258,039</u>	<u>55,032,141</u>
 <b>CURRENT ASSETS:</b>		
Funds held by Trustee.....	7,311,424	6,376,804
Other funds.....	5,894,262	2,985,720
Accounts receivable, less allowance for uncollectible accounts.....	12,438,059	13,650,309
Accrued interest receivable.....	940,931	473,121
Inventories (at average cost):		
Fuel.....	15,713,110	10,941,450
Materials and supplies .....	1,783,825	1,522,102
Prepayments (insurance, etc.).....	394,177	460,297
Total .....	<u>44,475,788</u>	<u>36,409,803</u>
 <b>DEFERRED DEBITS:</b>		
Unamortized debt expense .....	3,223,189	2,562,098
Unamortized loss on reacquired debt.....	10,738,401	11,125,225
Other deferred charges.....	379,586	511,261
Total .....	<u>14,341,176</u>	<u>14,198,584</u>
 Total .....	<u>\$949,153,939</u>	<u>\$633,821,912</u>

**Liabilities and Other Credits****1978****1977****LONG-TERM DEBT - NOTE 4:**

Priority obligations .....	\$ 74,860,842	\$ 76,178,480
Electric System Expansion		
Revenue Bonds .....	737,975,000	424,150,000
Other long-term debt .....	<u>1,700,000</u>	<u>3,025,000</u>
Total .....	814,535,842	503,353,480
Unamortized debt discount		
and premium - net .....	<u>12,882,827</u>	<u>7,795,180</u>
Balance .....	801,653,015	495,558,300
Accrued interest due July 1 - funds		
remitted to paying agent and		
carried as impounded funds .....	<u>8,108,685</u>	<u>4,016,950</u>

**CONSTRUCTION FUND LIABILITIES:**

ACCOUNTS PAYABLE: .....	<u>1,965,331</u>	<u>3,015,390</u>
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**CURRENT LIABILITIES (EXCLUSIVE  
OF MONTHLY PAYMENTS  
TO TRUSTEE FOR DEBT SERVICE  
REQUIREMENTS - NOTE 4,  
AND PAYMENTS TO THE STATE  
OF SOUTH CAROLINA - NOTE 1):**

Accounts payable .....	9,528,424	8,383,968
Customer deposits .....	1,491,237	1,210,644
Accrued interest on customer		
deposits .....	235,446	187,840
Accrued interest on long-term		
debt .....	57,076	59,970
Accrued sums in lieu of taxes ...	297,783	275,723
Miscellaneous current and		
accrued liabilities .....	65,131	36,523
Accrued sales and use tax .....	<u>81,788</u>	<u>117,730</u>
Total .....	<u>11,756,885</u>	<u>10,272,398</u>

**LONG-TERM LEASE COMMITMENTS - NOTE 6:****ACCUMULATED RESERVE FOR**

FUTURE RENTAL PAYMENTS: .....	<u>3,538,373</u>	<u>3,133,716</u>
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**UNAMORTIZED GAIN ON**

REACQUIRED DEBT: .....	<u>1,994,279</u>	<u>2,321,706</u>
------------------------	------------------	------------------

**CAPITAL CONTRIBUTIONS :**

U.S. Government Grants .....	<u>34,438,264</u>	<u>34,438,263</u>
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**ACCUMULATED NET REVENUES :**

EXHIBIT B .....	<u>85,699,107</u>	<u>81,065,189</u>
Total .....	<u>\$949,153,939</u>	<u>\$633,821,912</u>

See Accompanying Notes To Financial Statements



# Exhibit B

STATEMENT OF ACCUMULATED NET REVENUES,  
YEARS ENDED JUNE 30, 1978, AND JUNE 30, 1977

Detail	1978	1977
ACCUMULATED NET REVENUES, BEGINNING OF PERIOD:.....	\$81,065,189	\$73,884,469
NET REVENUE FOR THE PERIOD:		
EXHIBIT C .....	<u>5,834,482</u>	<u>8,978,217</u>
Total .....	<u>86,899,671</u>	<u>82,862,686</u>
DISTRIBUTION TO STATE OF SOUTH CAROLINA: .....	<u>1,200,564</u>	<u>1,797,497</u>
ACCUMULATED NET REVENUES, END OF PERIOD: .....	<u><u>\$85,699,107</u></u>	<u><u>\$81,065,189</u></u>

See Accompanying Notes To Financial Statements

# Exhibit C

STATEMENT OF REVENUE AND EXPENSES,  
YEARS ENDED JUNE 30, 1978, AND JUNE 30, 1977

	1978	1977
<b>ELECTRIC OPERATING REVENUE:</b>		
Sales of electricity:		
Residential .....	\$ 14,585,306	\$ 10,801,508
Commercial and industrial.....	42,202,378	33,995,565
Public street, highway lighting ..	222,843	198,978
Sales to military bases .....	6,329,365	5,048,561
Sales for resale .....	61,695,673	43,240,100
Other sales .....	303,040	223,638
Total sales of electricity ....	<u>125,338,605</u>	<u>93,508,350</u>
Other operating income:		
Forfeited discounts.....	160,847	117,450
Rent from electric property.....	481,393	459,311
Income from wheeling .....	322,107	322,264
Other income.....	<u>271,725</u>	<u>319,618</u>
Total other operating income .....	<u>1,236,072</u>	<u>1,218,643</u>
Total electric operating revenue.....	<u>126,574,677</u>	<u>94,726,993</u>
 <b>ELECTRIC OPERATING EXPENSES:</b>		
Operating and maintenance expenses:		
Electric power production expenses:		
Fuel burned .....	76,168,514	46,848,296
Purchased power.....	2,813,724	8,331,935
Other .....	11,110,060	8,429,985
Total .....	<u>90,092,298</u>	<u>63,610,216</u>
Transmission expenses .....	4,705,856	3,720,148
Distribution expenses.....	960,885	920,531
Customer accounting expenses .	1,273,236	895,972
Sales expenses.....	235,142	194,593
Administrative and general expenses .....	<u>2,230,227</u>	<u>2,562,405</u>
Total operating and maintenance expenses.	99,497,644	71,903,865
Depreciation:.....	8,874,910	6,217,354
Sums in lieu of taxes:.....	658,418	734,278
Total electric operating expenses.....	<u>109,030,972</u>	<u>78,855,497</u>
 <b>OPERATING INCOME:.....</b>	 17,543,705	 15,871,496

STATEMENT OF REVENUE AND EXPENSES, ETC.  
(Continued)

	1978	1977
OTHER INCOME		
Interest income:.....	\$ 17,159,446	\$12,553,297
Allowance for funds used during construction:		
Borrowed funds - prior to July 1, 1977 - Note 10:.....	-	9,298,720
Other than borrowed funds - subsequent to June 30, 1977 - Note 10:.....	457,879	-
Amortization of gain (loss) on re-acquired debt - net: .....	(59,397)	227,496
Miscellaneous - net:.....	(34,021)	(35,803)
Total other income .....	<u>17,523,907</u>	<u>22,043,710</u>
INTEREST CHARGES:		
Interest on long-term debt: .....	35,977,328	28,727,880
Amortization of debt discount and expense: .....	391,786	145,149
Interest on customers' deposits:...	79,356	63,960
Allowance for borrowed funds used during construction - subsequent to June 30, 1977 - Note 10:.....	(7,215,703)	-
Other interest: .....	363	-
Total interest expense .....	<u>29,233,130</u>	<u>28,936,989</u>
NET REVENUE .....	<u>\$ 5,834,482</u>	<u>\$ 8,978,217</u>

See Accompanying Notes to Financial Statements.



# Exhibit D

STATEMENT OF CHANGES IN FINANCIAL POSITION,  
YEARS ENDED JUNE 30, 1978, AND JUNE 30, 1977

Detail	1978	1977
<b>WORKING CAPITAL PROVIDED:</b>		
By operations:		
Net income.....	\$ 5,834,482	\$ 8,978,217
Charges (or credits) to income not providing or requiring working capital:		
Depreciation .....	8,874,910	6,217,354
Amortization of debt discount and expense .....	391,786	145,149
Increase in accumulated reserve for future rental payments.....	404,657	104,091
Amortization of (gain or loss) on reacquired debt - net ....	59,397	(227,496)
Total from operations .....	<u>15,565,232</u>	<u>15,217,315</u>
Sale of bonds: .....	315,000,000	-
Other borrowed money : .....	-	525,000
Increase (decrease) in construction fund liabilities: .....	(1,050,059)	393,881
Reduction of current liabilities by bond refunding: .....	-	2,508,852
Increase (decrease) accrued interest due July 1 - funds remitted to paying agent and carried as impounded funds: .....	4,091,735	(966,615)
Customer contributions for construction: .....	-	65,035
Decrease in other deferred charges .....	131,675	39,456
Total working capital provided: .....	<u>333,738,583</u>	<u>17,782,924</u>
<b>WORKING CAPITAL APPLIED:</b>		
Authorized distribution to State of South Carolina: .....	1,200,564	1,797,497
Retirement of long-term debt .....	3,817,638	4,872,589
Increase (decrease) in impounded reserve funds: .....	63,998,594	(18,301,478)
Addition to unamortized debt discount and expense: .....	6,140,524	45,529
Increase in electric plant and other physical property: .....	89,773,868	87,770,399
Increase (decrease) in unexpended funds from sale of long-term obligations: .....	162,225,897	(57,401,486)
Total working capital applied .....	<u>327,157,085</u>	<u>18,783,050</u>



STATEMENT OF CHANGES IN FINANCIAL POSITION  
(Continued)

	1978	1977
INCREASE (DECREASE) IN WORKING CAPITAL: .....	<u>\$6,581,498</u>	<u>\$(1,000,126)</u>
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT:		
Funds held by Trustee.....	\$ 934,620	\$ 1,060,148
Other funds.....	2,908,542	(1,328,024)
Accounts receivable.....	(1,212,250)	2,871,971
Accrued interest receivable.....	467,810	(23,572)
Inventories.....	5,033,383	(174,197)
Prepayments.....	(66,120)	149,946
Accounts payable.....	(1,144,456)	(3,246,085)
Customer deposits.....	(280,593)	(226,131)
Accrued sums in lieu of taxes .....	(22,060)	33,172
Miscellaneous liabilities.....	(37,378)	(117,354)
Total.....	<u>\$6,581,498</u>	<u>\$(1,000,126)</u>

See Accompanying Notes to Financial Statements

# Exhibit E

CUSTOMERS' CONTRIBUTIONS FOR CONSTRUCTION,  
YEARS ENDED JUNE 30, 1978, AND JUNE 30, 1977

Detail	1978	1977
ACCUMULATED BALANCE, BEGINNING OF PERIOD.....	\$ -	\$301,395
ADDITIONAL CONTRIBUTIONS .....	<u>-</u>	<u>65,035</u>
TOTAL .....	-	366,430
BALANCE WRITTEN OFF - credited to electric plant in service, in accordance with Order 490 of the Federal Energy Regulatory Commission - See Note 8.....	<u>-</u>	<u>366,430</u>
ACCUMULATED BALANCE, END OF PERIOD .....	<u><u>-</u></u>	<u><u>-</u></u>

See Accompanying Notes to Financial Statements

# Exhibit F

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1978

## NOTE 1 - Summary of Significant Accounting Policies

- A - GENERAL ACCOUNTING METHODS. The accounting records of the Authority are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (formerly the Federal Power Commission).
- B - ADDITIONS TO PLANT. The cost of additions, renewals, and betterments to the electric plant is added to the electric plant. Such costs include direct labor and material, indirect construction costs (supervision and engineering), and interest during construction.
- C - DEPRECIATION. The Authority provides for depreciation on a straight line basis over the estimated useful life of the properties.
- D - FUEL COSTS. Fuel costs are expensed as fuel is consumed. At June 30, 1978, and June 30, 1977, the Authority's electric rates included fuel adjustment clauses under which fuel costs above or below the base levels included in the various rate schedules were billed or credited to customers approximately thirty days to six months after such costs were incurred.
- E - PENSION COSTS. Salaries paid by the Authority are subject to withholding and employer contributions in accordance with the provisions of a State Pension Plan administered by the South Carolina State Retirement System. Rates are fixed by State statutes.
- F - BOND AND INTEREST MATURITIES DUE JULY 1, 1977 AND 1978. At June 30, 1977, the bond and interest maturities due July 1, 1977, had been remitted to paying agent and were treated on the books and financial statements as having been paid on June 30, 1977.

At June 30, 1978, this was changed. The funds are shown as being held in impounded reserve funds and the liability is shown therefor. The balance sheet for June 30, 1977, has been restated to show funds being held in such reserve funds. The funds held are as follows:

	JUNE 30	
	1978	1977
Bonds and coupons, July 1, maturity .....	\$10,827,094	\$6,318,153
Coupons, prior maturities.....	<u>35,014</u>	<u>23,073</u>
Total.....	<u>10,862,108</u>	<u>6,341,226</u>



In summary, the bonds and interest maturities were treated as having been paid when remitted to the fiscal agent. Under the new method, the bonds and interest are treated as paid when the fiscal agent actually pays the bonds. In the meantime such funds are carried as impounded reserve funds.

**G - DISTRIBUTION TO THE STATE OF SOUTH CAROLINA.** South Carolina law provides that "The South Carolina Public Service Authority is a corporation, completely owned by and to be operated for the benefit of the people of South Carolina and any and all net earnings thereof not necessary or desirable for the prudent conduct and operation of its business or to pay the principal of and the interest on its bonds, notes, or other evidences of indebtedness or other obligations or to fulfill the terms and provisions of any agreements made with the purchasers or holders thereof or others shall be paid over semi-annually to the State Treasurer for the general funds of the State and shall be used to reduce the tax burdens of the people of this State." Payments to the State are indicated on exhibit B.

#### **NOTE 2 - Electric Plant**

See Note 1 above.

The Central "A-B" System is being acquired through an installment purchase contract (see Note 4), and the Authority is to receive title to the property upon payment of the full amount of the contract obligation to Central.

Other property being used by the Authority under long-term lease commitments has not been capitalized.

#### **NOTE 3 - Impounded Reserve Funds Held By Trustee and Unexpended Construction Funds From Sale of Authority Bonds.**

Unexpended funds from sale of Authority bonds and impounded reserve funds held by the Trustee for other specific purposes are maintained and their use restricted in accordance with applicable provisions of various Trust Indentures and Bond Resolutions, Central System Agreements, and the Enabling Act included in the South Carolina law.

#### **NOTE 4 - Long-Term Debt Outstanding**

<b>PRIORITY OBLIGATIONS:</b>	<b>JUNE 30, 1978</b>	<b>JUNE 30, 1977</b>
<b>ELECTRIC REVENUE BONDS:</b>		
Series of 1950, 2-5/8 to 2.7%, due serially July 1, 1978-1993 .....	<u>\$11,355,000</u>	<u>\$11,580,000</u>



NOTE 4 - LONG-TERM DEBT OUTSTANDING  
(Continued)

	JUNE 30	
	1978	1977
Series of 1967:		
Serial Bonds, 4%, due serially July 1, 1978-1981 . . . .	575,000	705,000
Term Bonds, 4.1%, due July 1, 2006 (Sinking Fund installments due July 1, 1982-2006) . . . . .	<u>50,425,000</u>	<u>50,425,000</u>
Total . . . . .	<u>51,000,000</u>	<u>51,130,000</u>
REFUNDING BONDS:		
Refunding Series of 1973, 5 to 5.50%, due serially July 1, 1978-1989 . . . . .	<u>9,860,000</u>	<u>10,440,000</u>
CONTRACT OBLIGATION:		
Principal (funds expended during construction) . . . . .	2,535,004	2,900,619
Accumulated interest during period of construction . . . . .	<u>110,838</u>	<u>127,861</u>
Total . . . . .	<u>2,645,842</u>	<u>3,028,480</u>
Total Priority Obligations . . .	<u>\$74,860,842</u>	<u>\$76,178,480</u>
EXPANSION BONDS:		
Electric System Expansion Revenue Bonds, 1973 Series:		
Serial Bonds, 5% to 5.4%, due serially July 1, 1980-1993 . . . . .	\$16,545,000	\$16,545,000
Term Bonds, 5.75%, due July 1, 2013 (Sinking Fund installments, due July 1, 1994-2013) . . . . .	<u>83,455,000</u>	<u>83,455,000</u>
Total . . . . .	<u>100,000,000</u>	<u>100,000,000</u>
Electric System Expansion Revenue Bonds, 1974 Series:		
Serial Bonds, 6% to 6.5%, due serially July 1, 1980-1999 . . . . .	30,140,000	30,140,000
Term Bonds, 6.75%, due July 1, 2014 (Sinking Fund installments due July 1, 2000-2014) . . . . .	<u>78,860,000</u>	<u>78,860,000</u>
Total . . . . .	<u>109,000,000</u>	<u>109,000,000</u>

Electric System Expansion	1978	1977
Revenue Bonds, 1977		
Refunding Series:		
Serial Bonds, 2.75%, to 5.7%, due July 1, 1978-1997 .....	65,765,000	66,940,000
Term Bonds, 5-7/8%, due July 1, 2002 (Sinking Fund installments, due July 1, 1998-2002).....	31,495,000	31,495,000
Term Bonds, 6%, due July 1, 2016 (Sinking Fund in- stallments, due July 1, 2003-2016).....	<u>116,715,000</u>	<u>116,715,000</u>
Total.....	<u>213,975,000</u>	<u>215,150,000</u>

Electric System Expansion		
Revenue Bonds, 1977 Series:		
Serial Bonds, 4% to 5.6%, due July 1, 1982-2002 .....	14,750,000	-
Term Bonds, 5.75%, due July 1, 2017 (Sinking Fund installments due July 1, 2003-2017) .....	<u>100,250,000</u>	<u>-</u>
Total.....	<u>115,000,000</u>	<u>-</u>

Electric System Expansion		
Revenue Bonds, 1978 Series:		
Serial Bonds, 4.28% to 5.4%, due July 1, 1981-1998 .....	20,340,000	-
Term Bonds, 5.7%, due July 1, 2008 (Sinking Fund installments due July 1, 1999-2008).....	32,980,000	-
Term Bonds, 5-1/8%, due July 1, 2018 (Sinking Fund installments due July 9, 2018) (Sinking Fund in- stallments due July 1, 2009-2018) .....	<u>146,680,000</u>	<u>-</u>
Total.....	<u>200,000,000</u>	<u>-</u>
Total Expansion Bonds .....	<u>\$737,975,000</u>	<u>\$424,150,000</u>

**NOTE 4 - LONG-TERM DEBT OUTSTANDING**  
(Continued)

<b>OTHER LONG-TERM DEBT:</b>	<b>1978</b>	<b>1977</b>
2.325% note dated December 30, 1976 - due July 1, 1977.....	\$ -	\$ 1,250,000
3.215% note dated December 30, 1976 - due July 3, 1978.....	1,250,000	1,250,000
4.25% note dated January 28, 1977 - due serially January 28, 1978-1984.....	<u>450,000</u>	<u>525,000</u>
Total Other Long-Term Debt.....	<u>1,700,000</u>	<u>3,025,000</u>
Total Long-Term Debt .....	<u>\$814,535,842</u>	<u>\$503,353,480</u>

The Contract Obligation included above arose through an agreement to purchase certain transmission lines (generally known as the "A-B" System) from Central Electric Power Cooperative, Inc. Interest at 2% per annum is payable semi-annually on unpaid principal balances. Payments on the principal and accumulated interest during construction are due in semi-annual installments which commenced January 1, 1958, and extend over a period of twenty-six (26) additional years.

The Authority is required to make monthly payments from revenue to Corporate Trustees for debt service as set forth in the related Trust Indenture and Bond Resolutions. Monthly payments to be made during the fiscal year July 1, 1978, through June 30, 1979, are approximately \$1,606,000.

**NOTE 5 - Long-Term Debt Refunding:**

The Authority refinanced its Electric System Expansion Revenue Bonds, 1971 Series, and its Electric System Expansion Revenue Bonds, 1976 Series, with outstanding balances of \$99,060,000 and \$100,000,000 respectively, on March 10, 1977, by issuing \$215,150,000 Electric System Expansion Revenue Bonds, 1977 Refunding Series, and \$90,920,000 Electric System Expansion Revenue Bonds, 1977 Special Obligation Refunding Series. The refunding resulted in a net loss (the difference between the net carrying amount of the debt and the reacquisition price) of \$11,244,416. The Uniform System of Accounts prescribed by the Federal Power Commission requires that this loss be amortized over future accounting periods that will receive the cost reduction benefits of the refinancing.



Net proceeds from the issuance of the 1977 Bonds were used to purchase direct obligations of the United States of America in the aggregate principal amount of \$300,912,100. The Government Obligations were placed with a corporate Trustee under an irrevocable Refunding Trust Agreement and will mature in such amounts and at such time as shall be necessary and sufficient, (1) to pay the principal of and interest on the 1971 Bonds as the same shall become due and payable to and including January 1, 1982, (b) to pay the principal of and interest on the 1976 Bonds as the same shall become due and payable to and including July 1, 1986, (c) to pay on January 1, 1982, the full redemption price on the 1971 Bonds maturing after January 1, 1982, and (d) to pay on July 1, 1986, the full redemption price on the 1976 Bonds maturing after July 1, 1986, and shall bear interest payable in such amounts and at such times as shall be necessary and sufficient to pay the principal of and interest on the 1977 Special Refunding Bonds as the same shall become due and payable.

The above refinancing was done in accordance with appropriate provisions of the Bond Resolutions authorizing the issuance of the 1971 and 1976 Revenue Bonds and such bonds are no longer a lien against the Electric System Revenues. Since the holders of the refunded Revenue Bonds and the 1977 Special Obligation Refunding Series Bonds must look to the Refunding Trust Fund Trustee for payment of principal and interest, such obligations are not recorded as liabilities of the Authority. Likewise, U.S. Government Obligations held by the Trustee for payment of such Bonds are not recorded as assets of the Authority.

## **NOTE 6 - Long-Term Lease Commitments**

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generation plant and various other facilities. The rental is a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the facilities involved. Rental payments are due quarterly. The Authority has an option to purchase the leased properties at any time during the period of the lease agreements for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease.

Rental payments during the entire life of the lease contracts are equal to annual debt service for construction costs, including interest on funds borrowed for construction.

Total rental expense on these contracts during the years ended June 30, 1978, and June 30, 1977, aggregated \$3,354,658 and \$3,087,811, respectively. Aggregate rental payments due on these contracts in future years are approximately as follows:



**NOTE 6 - LONG-TERM LEASE COMMITMENTS**  
(Continued)

Year ending June 30:

1979 .....	\$4,293,000
1980 .....	5,370,000
1981 .....	5,447,000
1982 .....	5,445,000
1983 .....	\$5,445,000

Five-year periods ending June 30:

1988 .....	\$27,213,000
1993 .....	27,213,000
1998 .....	\$27,213,000

Remaining years (in total) ..... \$30,121,000

The Authority presently accounts for leases entered into prior to January 1, 1977, in accordance with generally accepted accounting principles established prior to the issuance to FASB Statement No. 13, "Accounting for Leases." By 1981, the Authority will have to restate its financial statements to reflect the accounting for these leases in accordance with the Statement. Capital leases entered into subsequent to December 31, 1976, amount to \$158,707 at cost. Such leases have been capitalized but the effect on earnings is not material. This change in accounting principles will result in certain leases being capitalized with an increase (decrease) in the amounts reflected in the Authority's financial statements as follows:

DETAIL	.....JUNE 30.....	
	1978	1977
Electric Plant .....	\$68,552,000	\$62,802,000
Capital Lease Obligations:		
Current.....	1,449,000	1,362,000
Non-current.....	75,466,000	75,466,000
Net Income (year ended June 30)...	\$(318,000)	\$(628,000)

Future minimum payments, by year and in the aggregate, under the capital leases and non-cancellable operating leases with initial or remaining terms of one year or more consisted of the following at June 30, 1978:

DETAIL	CAPITAL LEASES	OPERATING LEASES
Year ending June 30:		
1978 .....	\$ 3,233,000	\$ 263,800
1979 .....	4,830,000	263,800
1980 .....	4,910,000	48,816
1981 .....	5,450,000	24,576
1982 .....	5,490,000	20,508
Thereafter .....	<u>93,571,000*</u>	<u>44,820</u>
Total minimum lease payments....	117,484,000	<u>\$666,320</u>
Less, amounts representing interest.....	<u>40,569,000*</u>	
Present value of net minimum lease payments.....	<u>\$76,915,000*</u>	

\* This total does not include approved loans in the amount of \$18,252,000 and \$24,766,000, at June 30, 1978 and 1977, respectively, which amounts have not been advanced to Central and for which no payment schedules can be prepared at this time.

#### NOTE 7 - Restatement of Gain on Reacquired Debt in Year Ended June 30, 1973.

During the fiscal year ended June 30, 1973, a gain of \$3,913,676 was realized by the Authority on an early extinguishment of debt accompanied with the issuance of Refunding Bonds. This gain was included in income on the books but the Federal Power Commission later ruled that such gains should be amortized against future operations. The accompanying financial statements have been restated to remove the gain from 1973 income and amortize such gain over the life of the Refunding Bonds.

#### NOTE 8 - Customers' Contribution for Construction

Effective June 30, 1977, the Customers' Contribution for Construction in the amount of \$366,430 was charged off and the electric plant in service was reduced by an equal amount. This adjustment has been made in accordance with Order 490 of the Federal Energy Regulatory Commission. All contributions subsequent to this date are being credited to plant account. The balance sheet has been restated as of June 30, 1977, to reflect this change.

#### NOTE 9 - Commitments (Winyah #4, Hilton Head Turbine #3, and Coal Cars)

The Authority's capital improvement program includes the construction of a 280 MW coal fired generating unit to be in service in 1982; a 60 MW combustion turbine generator to be in service in 1979; and the lease of 154 coal hopper cars starting in December, 1978. As of June 30, 1978, the Authority has approved contract commitments totaling approximately \$53,690,534 in connection with these projects.

NOTES TO FINANCIAL STATEMENTS, ETC.  
(Continued)

NOTE 10 - Allowance for Funds used During Construction:

Allowance for funds used during construction (AFUDC), a non-cash item, reflects the cost for the period of capital devoted to plant under construction. This cost represents interest charges on borrowed funds and a reasonable rate of return on other funds so used. This accounting practice results in the inclusion as a component of construction cost of amounts of AFUDC. Effective January 1, 1977, the FERC issued Order 561 which provided a formula for computing a maximum allowable AFUDC rate. The AFUDC rate for year ended June 30, 1978, was 4.64% and does not exceed the maximum allowable rate.

Beginning with fiscal year ended June 30, 1978, pursuant to FERC order, the interest portion of AFUDC related to borrowed funds has been shown as a reduction in "Interest Charges." The AFUDC resulting from use of other funds has been credited to other income. Also, interest received on borrowed funds has been credited to other income.

In prior years, AFUDC was only applied to jobs for which funds were borrowed to finance such jobs. The net long-term debt (long-term interest paid, less interest income on invested funds) was capitalized on such jobs. No interest was capitalized on other funds used to finance jobs. Also, in prior years the interest earned on invested construction funds and allowance for funds during construction was credited to long-term interest paid. The long-term interest expense shown was the amount of long-term interest expense, less interest income on borrowed funds and allowance for funds during construction. The long-term interest for the year ended June 30, 1977, is being restated to separate the components for the year, as follows:

Long-term debt - net (shown in financial statements for year ended June 30, 1977) .....	\$9,682,047DR.
Restated as:	
Other Income - interest income on funds borrowed for construction.....	\$ 9,747,113CR.
Allowance for funds used during construction (AFUDC) - only on borrowed money .....	9,298,720CR.
Interest on long-term debt .....	<u>28,727,880DR.</u>
Balance.....	<u>9,682,047DR.</u>





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The change in the method of computing the AFUDC to the method prescribed by the Federal Energy Regulatory Commission for the year ended June 30, 1978, increased the AFUDC for the year, which also increased the net revenue for the year by the same amount, as follows:

AFUDC for borrowed money - increase over the amount that would have been capitalized under prior method .....	\$ 488,136
AFUDC for other than borrowed funds .....	457,879
Total increase in net revenues .....	<u>\$ 946,015</u>

In comparing the years, the allowance for funds used during construction in prior year has been shown under "Other Income". For the current year, the comparable item is shown as a reduction of interest charges.

#### NOTE 11 - **Contingent Liabilities**

As of June 30, 1977, the following civil actions against the Authority were pending.

1. Ralph Bell, Jr. vs. S. C. Public Service Authority. This case involves a boundary dispute in which Plaintiff seeks a restraining order, or, in the alternative "compensation to the Plaintiff for the injury done to his property."

2. Avinger vs. S. C. Public Service Authority. The statute under which Avinger's property was condemned provides, in substance, that if condemned land is not flooded within five years, the former owner has a right for one year to buy the property back at the original price per acre paid by the Authority, and that the right may be extinguished upon 90 days written notice by the Authority. The Authority has never given such notice to any landowner. Avinger seeks to buy his family's property back pursuant to the statute.

3. Five cases arose when 200 feet width was cleared for a 100 feet right-of-way. These cases were settled subsequent to June 30, 1978, by relocating the transmission line and payment of \$1,000 per lot to landowners.



